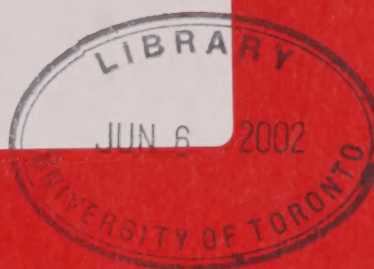


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Government  
Publications

Ontario. Minister's Export  
Marketing Task Force  
Final report, 1998









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# Minister's Export Marketing Task Force



## FINAL REPORT

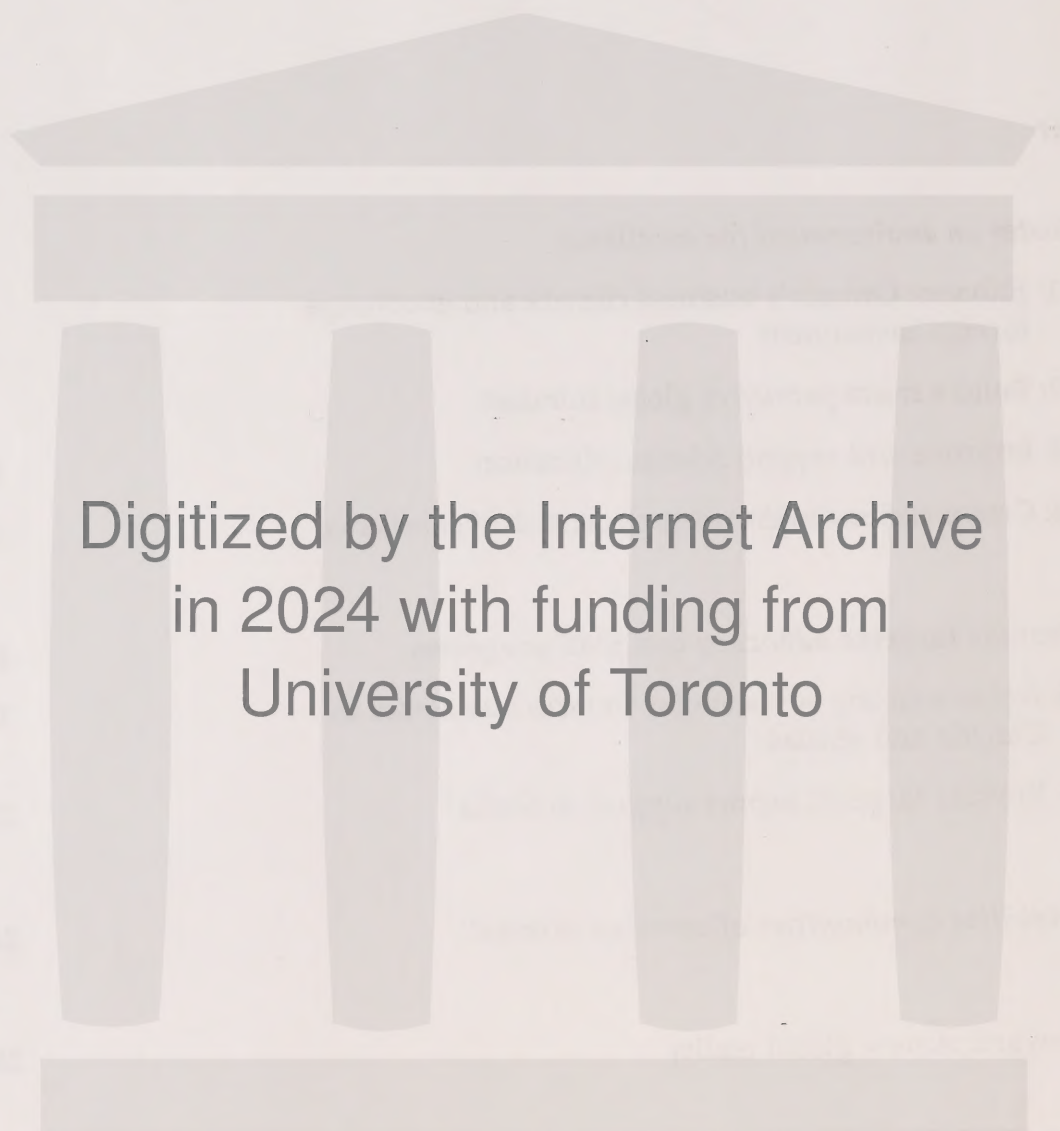


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<sup>1</sup> Small- and medium-sized enterprises.



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## Preface

AGAINST A BACKGROUND of growing competition in world trade, the Honourable Al Palladini, the Ontario Minister of Economic Development, Trade, and Tourism, announced the formation of the Minister's Export Marketing Task Force on December 2, 1997. The Task Force meetings have been co-chaired by William J. Saunderson, Chairman of the Board of the Ontario International Trade Corporation (OITC); Len Crispino, President of the OITC; and David Winfield, Senior Vice President of Government Relations at Northern Telecom. The Task Force's mission was to determine how to:

- ◆ Increase Ontario's share of the global export market
- ◆ Enhance the awareness of Ontario as a source of high-quality, internationally competitive goods and services
- ◆ Build, foster, and maintain a trading culture in Ontario.

To meet this ambitious agenda, the Task Force divided its members into several work streams. The Steering Panel of 27 senior executives from leading Ontario companies (large and small) oversaw and directed the process. Three Working Groups of 23 executives from organizations represented on the Steering Panel investigated particular aspects of the export question. The Market Orientation Working Group identified the needs of Ontario exporters by broad sector. The Export Initiatives and Marketing Working Group explored initiatives to support export growth. The Export Culture Working Group outlined strategies for building a long-term export culture in Ontario. (For a list of Task Force members, see Appendix A.)

The Task Force also enlisted the help of McKinsey & Company, an international management consulting firm. McKinsey consultants served as facilitators to the Task Force, outlining topics for consideration, facilitating discussion at meetings, and assembling and presenting summaries of conclusions. McKinsey consultants also prepared this report, which represents the views of the Task Force members, not those of McKinsey & Company.

The timeline for the Task Force was aggressive: the Steering Panel held its inaugural meeting on January 7, 1998 and wrapped up proceedings in the first week of April. Given this short time, the Task Force's objective was to develop a series of ideas, not a consensus, for the Province's consideration. The Steering Panel and the Working Groups each held three meetings during this 3-month period. The degree of alignment against the priorities highlighted during Task Force discussions was gauged through a summary survey, circulated by the facilitators to all Task Force members in mid-March. (For a copy of the survey, see Appendix B.) Despite the strong alignment around the key

recommendations, complete alignment remains elusive on some issues. Given the speed of the process, several issues also understandably require further investigation.

This report presents the private sector vision of the Task Force for increasing Ontario's exports and more broadly, for increasing Ontario's participation in the global economy. It sets out ideas for consideration and, due to the nature of the process, provides the views of Task Force members, not the aggregate view of the Ontario business community. Every effort has been made, however, to incorporate the range of opinions expressed by Task Force members in meetings, in the individual interviews of Steering Panel members conducted by the facilitators, and in the survey.

The Task Force hopes that the ideas herein will help shape Ontario's agenda for economic success in the next millennium.

*April 13, 1998*



# Overview

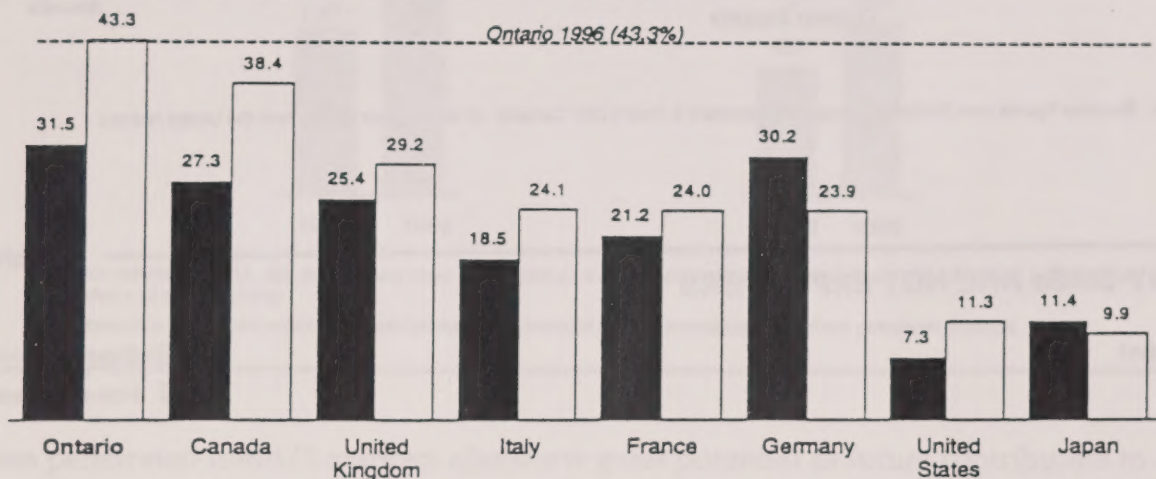
ONTARIO HAS A STRONG EXPORTING ECONOMY. Exports account for 43 percent of Ontario's GDP, a higher proportion than in any G7 country (Exhibit 0-1). Even though Ontario's exports have grown more rapidly than GDP over the past decade, the Task Force sees a significant opportunity for Ontario to grow its export base.

Exhibit 0-1

## THE IMPORTANCE OF EXPORTS TO ONTARIO

Exports as a percentage of GDP, Ontario vs. G7 nations

■ 1986  
□ 1996



Source: International Monetary Fund, *International Financial Statistics Yearbook*, 1997; Standard & Poor's DRI Canada

Ontario's exports are concentrated in manufacturing, mainly automotive, and in the US market (Exhibit 0-2). Most exports come from large companies: most of Ontario's small- and medium-sized enterprises (SMEs)<sup>2</sup> do not export at all (Exhibit 0-3). This concentration suggests significant opportunities for new export growth from emerging sectors, to new markets, and from SMEs.

<sup>2</sup> Companies with revenues less than \$100 million.

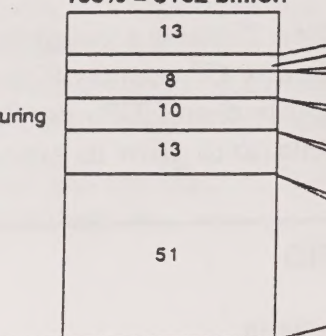
## EXPORTS CONCENTRATED IN MANUFACTURING AND IN THE US MARKET

1995 figures

**Sector breakdown**  
Percent

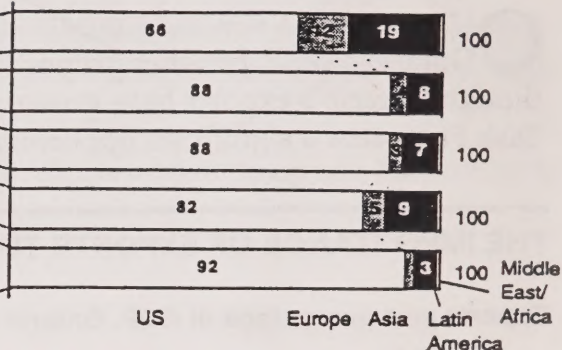
Services 13  
Agriculture and mining 8  
Other 10  
Resource-based manufacturing 13  
High technology 13  
Manufacturing (including automotive) 51

100% = \$162 billion



Ontario exports

**Sector-destination breakdown**  
Percent

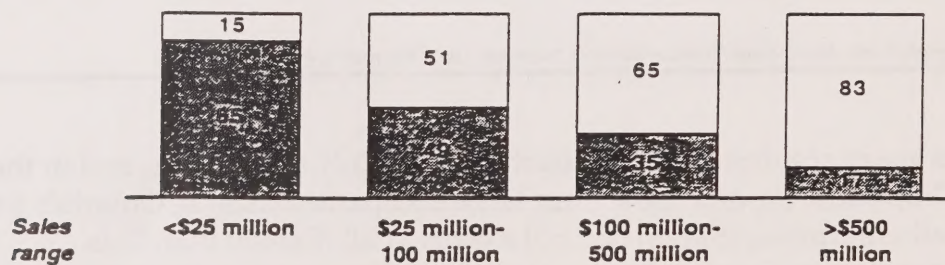


Source: Services figures from Statistics Canada via Standard & Poor's DRI Canada; all other sector figures from the United Nations

## MANY SMEs ARE NOT EXPORTERS

Percent

Exporters  
Non-exporters



Ontario exporters by size

Source: Statistics Canada 1991 figures via Standard & Poor's DRI Canada

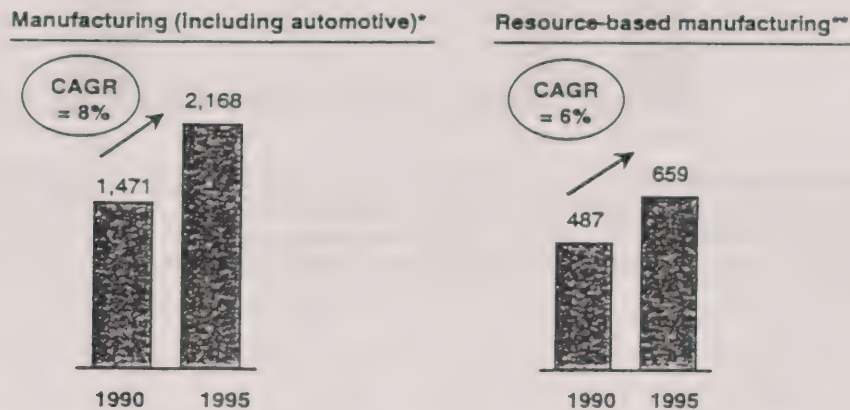


Going forward, world import market trends suggest that Ontario's core sectors – general manufacturing<sup>3</sup> and resource-based manufacturing<sup>4</sup> – will continue to be important exporters (Exhibit 0-4). High technology<sup>5</sup> and services<sup>6</sup> are “emerging” export sectors, each of which currently account for 13 percent of Ontario's exports. World import market trends suggest that these emerging sectors are likely to become even more significant export growth opportunities for Ontario (Exhibit 0-5).

Exhibit 0-4

## CORE SECTOR GLOBAL IMPORT GROWTH TRENDS

US \$ Billions



\* Motor vehicles; aircraft, rail, marine, and other transportation; engines and engine parts; machinery; miscellaneous instruments; textiles and clothing; other

\*\* Metals; pulp and paper; wood and wood products; non-metallic mineral manufactures; refined petroleum products

Source: United Nations

Less penetrated non-US markets also show great potential as future contributors to Ontario's export growth. Although specific foreign market opportunities were not addressed directly by the Task Force, a company's ability to successfully export into the highly competitive US export market suggests, for some industries, a competitive position strong enough to export to other, more distant, foreign markets.

Today's SMEs also show great potential to contribute to Ontario's export growth. In the short term, more SMEs could become exporters. In the long term, many SMEs will grow into large, export-oriented companies.

<sup>3</sup> Motor vehicles; aircraft, rail, marine, and other transportation; engines and engine parts; machinery; miscellaneous instruments; textiles and clothing; other.

<sup>4</sup> Metals; pulp and paper; wood and wood products; non-metallic mineral manufactures; refined petroleum products.

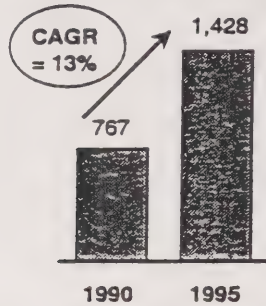
<sup>5</sup> Computers and computing machines; semi-conductors, switches, and transformers; chemicals; plastics, fertilizer, rubber; telecommunications equipment; electrical apparatus; pharmaceutical products.

<sup>6</sup> Communications, personal, and miscellaneous services; wholesale margins; unallocated imports and exports; business services; transportation, storage, and transportation margins; other finance, insurance, real estate.

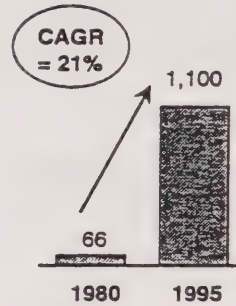
# EMERGING SECTOR GLOBAL IMPORT GROWTH TRENDS

US \$ Billions

High technology sectors\*



Services sectors\*\*



\* Computers and computing machines; semi-conductors, switches, and transformers; chemicals; plastics, fertilizer, rubber; telecommunications equipment; electrical apparatus; pharmaceutical products

\*\* Communications, personal, and miscellaneous services; wholesale margins; unallocated imports and exports; business services; transportation, storage, and transportation margins; other finance, insurance, real estate


Source: United Nations



To help Ontario businesses seize this export opportunity, the Task Force recommends three key actions for the Province. Above all, the Province must foster an environment for business excellence. An environment that fosters excellence will attract and retain businesses and will equip Ontario companies with the skills to compete and win globally. The Province must also provide targeted advocacy on behalf of Ontario companies and export programs for SMEs, which face unique challenges as they seek to penetrate foreign markets. To deliver these export programs and generate energy around export issues, the Province should leverage existing business leadership by mobilizing communities of common interest. The report is structured around these key actions; a brief summary follows.

## PART I: FOSTER AN ENVIRONMENT FOR EXCELLENCE

To compete successfully, firms in all sectors need a sound environment in which to operate. To foster this environment, the Task Force recommends that the Province:

- 
- ◆ **Enhance Ontario's business climate and encourage foreign investment.** The Province must foster a competitive business environment by ensuring competitive corporate tax rates, by reducing regulatory barriers, and by advocating a reduction in trade barriers and a stable monetary policy. As the economy shifts toward knowledge-based industries, attracting and retaining highly skilled people becomes a greater business priority. Reducing personal income taxes is a critical lever in this regard.
  - ◆ **Build a more pervasive global mindset.** Despite their exporting economy and multicultural backgrounds, Ontarians do not seem to be as globally minded as they could be. Business and government leaders should build a broad global mindset among the Ontario public by highlighting the value of global participation and by enhancing the international and business components of the education system. They should also champion global successes through prestigious business awards and by speaking out on export issues.
  - ◆ **Improve and expand science education.** Business demand for technically skilled personnel exceeds supply in Ontario, particularly in high technology, one of Ontario's emerging export sectors. To bridge this gap, the Province should increase the number of science and engineering post-secondary graduates and improve the quality of science education at all levels.
  - ◆ **Create and maintain research centres of excellence.** As incubators of talent and ideas, research centres of excellence help fuel long-term growth, especially in emerging export sectors like high technology. The Province should support research centres by building links between industry and academic researchers and by providing more funding for research and development.

## **PART II: PROVIDE TARGETED ADVOCACY AND SME PROGRAMS**

Beyond fostering the right business environment, the Province must be targeted in its interventions. Overall, the Task Force favoured the government acting as facilitator and catalyst – not as director and funder. Task Force members stressed the importance of simplifying business interaction with government through the creation of a single point of government contact for business. Government efforts should focus on specific export business needs:

- ◆ **Act as a strong advocate for Ontario businesses in Canada and abroad.** At home, the Province needs to lobby the federal government to ensure that federal policy and procurement support the interests of Ontario companies. Outside Canada, advocacy by elected officials involves communicating support for Ontario companies to potential buyers in foreign markets. This can lend credibility to Ontario companies seeking to penetrate foreign markets and is particularly important to SMEs.
- ◆ **Provide targeted export support to SMEs.** SMEs face unique export challenges because they lack experience, reputation, and resources. To enable SMEs to exploit their export growth potential, a single point of government contact should direct them to foreign market data and specific opportunity information. The Province should also focus on priority programs, such as trade missions, run by specialists.

## **PART III: MOBILIZE COMMUNITIES OF COMMON INTEREST**

Communities of common interest, particularly those that are sector-focused, are promising vehicles for export development, because they provide informed leadership around a common economic development goal. The Province should consider mobilizing communities to drive their own trade agendas. Communities of common interest could tailor export programs to their needs and the Province could thereby amplify the impact of its resources.

\* \* \*

The Task Force encourages government and other business leaders to step forward, prepared to build on this report to increase Ontario's participation in the global economy. In doing so, leaders will be building a strong economy and thereby improving the quality of life of the people of Ontario.



## *Part I: Foster an environment for excellence*

TASK FORCE MEMBERS are unanimous in their belief that it is important or very important that the Province foster both an environment for international excellence and the conditions for winners to emerge. On no other issue did Task Force members show an equal degree of enthusiasm and alignment.

As defined by the Task Force, the environment for excellence in Ontario encompasses four components. Each is discussed in this section of the document:

- ◆ Enhance Ontario's business climate and encourage foreign investment
- ◆ Build a more pervasive global mindset
- ◆ Improve and expand science education
- ◆ Create and maintain research centres of excellence.

The Task Force considers an enhanced business climate as the essential foundation for export success.

## Chapter 1

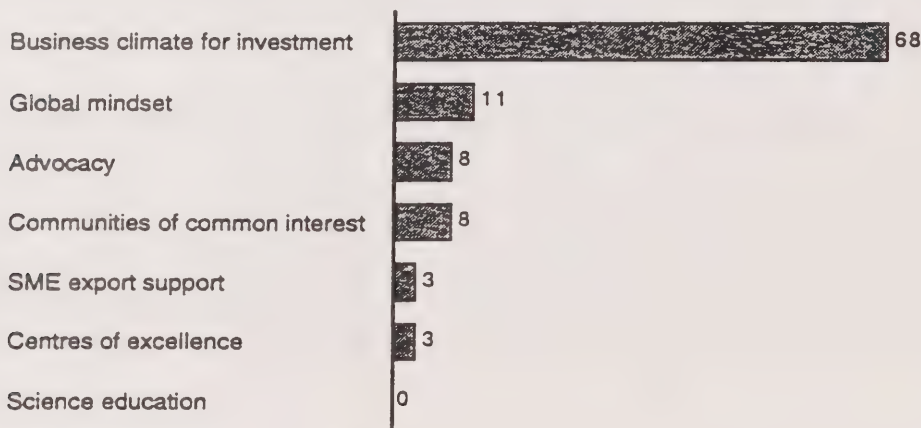
# Enhance Ontario's business climate and encourage foreign investment

THE TASK FORCE HAS IDENTIFIED enhancing Ontario's business climate for investment and export success as the overwhelming priority for the Province. When asked to rank the highest impact actions for the Province, 68 percent of Task Force members ranked this action first (Exhibit 1-1). Executives held this view regardless of their company size: 71 percent from small and medium-sized companies also ranked this action first.<sup>7</sup>

Exhibit 1-1

### HIGHEST IMPACT ACTIONS OVERALL

#### Percentage of Task Force first place rankings\*



\* Percentages do not sum to 100 due to rounding

Source: Summary survey of Task Force views

The Task Force recognizes that tariff reductions, greater labour market flexibility, and greater domestic competitive intensity have improved the Canadian business climate over the past decade. However, reforms have also occurred in other countries. Improving the Ontario business climate must therefore entail a continual process of calibration against the world's leading economic regions and of striving to surpass their performance.

<sup>7</sup> Companies with revenues less than \$100 million.



## ENHANCING ONTARIO'S BUSINESS CLIMATE

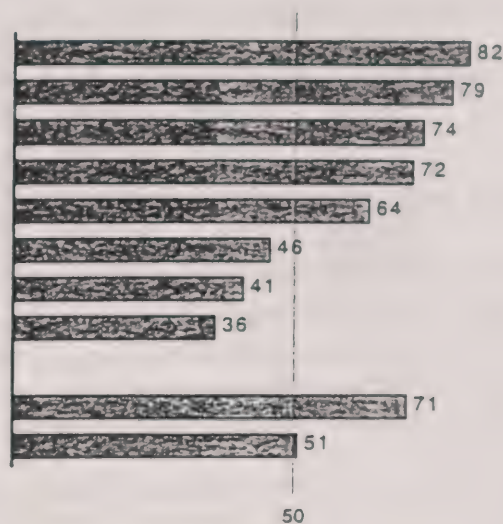
Percentage of Task Force responding "important" or "very important"

### *Foster a competitive business environment*

- Ensure competitive corporate tax rates
- Reduce regulatory and bureaucratic barriers
- Advocate reduction of interprovincial trade barriers
- Advocate reduction of international trade barriers
- Advocate stable monetary policy
- Consider tax measures to diversify exports
- Improve quality/cost of communications
- Improve quality/cost of transportation

### *Attract and retain skilled people*

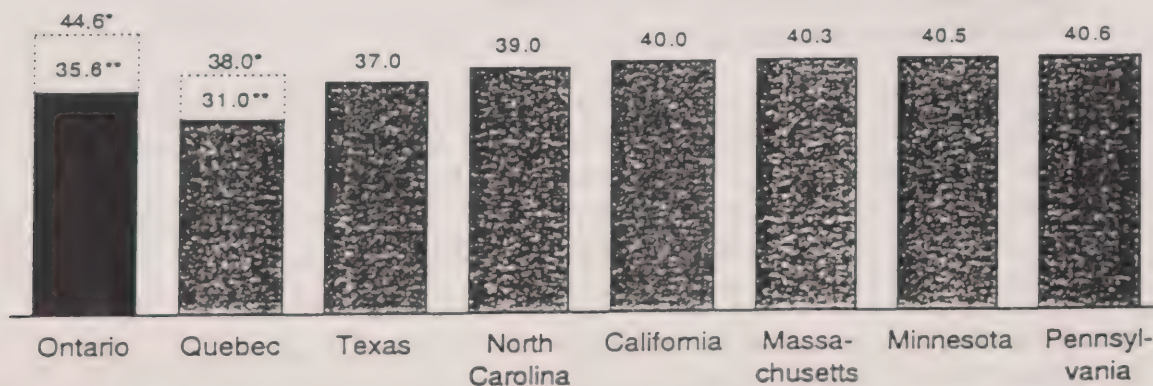
- Reduce personal income tax
- Advocate a more flexible immigration policy



Source: Summary survey of Task Force views

## CORPORATE TAXATION COMPARISONS

Effective combined federal and provincial/state tax rate 1997, percent



\* Rate for non-manufacturing and non-processing firms

\*\* Rate for manufacturing and processing firms

Source: KPMG, *The Competitive Alternative: A Comparison of Business Costs in Canada, Europe, and the United States*, 1997

With this in mind, the Task Force has emphasized three actions that would help the Province enhance its business climate and attractiveness to investment:

- ◆ Foster a competitive business environment
- ◆ Attract and retain skilled people
- ◆ Target and recruit foreign investment.

## FOSTER A COMPETITIVE BUSINESS ENVIRONMENT

The Task Force agrees that all government efforts to foster a competitive business environment are important (Exhibit 1-2). These efforts are crucial in attracting new businesses to Ontario and in persuading existing businesses to stay. Competition for attracting and retaining businesses is intense, particularly in knowledge-based industries, that are tied neither to physical resources nor to specific locations.

To foster a competitive environment, Task Force recommends four specific actions for the Province:

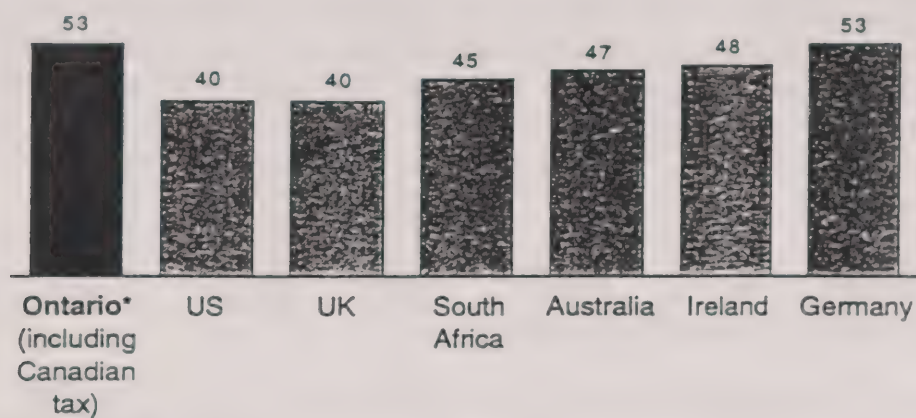
- ◆ **Ensure Ontario's corporate tax rates are competitive with those of US states.** Ontario's corporate taxes (combined federal and provincial) are competitive with those of most US states (combined federal and state) for manufacturing companies (Exhibit 1-3). But Ontario presents non-manufacturing companies with a higher tax burden than do US states. More than 80 percent of Task Force members rated maintaining competitiveness as important or very important for the Province. "Reducing tax rates should be the primary focus for Ontario," said one senior executive. Only a minority of Task Force members believe it is important for the Province to consider tax measures to encourage diversification of exports.
- ◆ **Reduce the regulatory and bureaucratic barriers to conducting business efficiently.** The Task Force encourages this action, with 79 percent of Task Force members rating it as important or very important. One member contrasted Ontario's regulatory approval process with that of the US state in which it is building a facility: an approval that might have taken a couple of years in Ontario took 3 weeks in a midwestern US State.
- ◆ **Advocate the reduction of tariff and non-tariff barriers to trade between Canada and other countries and between Ontario and other provinces.** While recognizing that significant progress has been made in this area, the Task Force believes that Ontario must continue to advocate for the reduction of trade barriers. These are not simply a foreign policy issue. Tellingly, the Task Force regards the reduction of interprovincial trade barriers – those within Canada – as an even greater priority than the reduction of international trade barriers.



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## PERSONAL INCOME TAX COMPARISONS

Marginal individual income tax rates 1996, percent



\* Expected to drop to 52 percent in 1997 and 51 percent in 1998

Source: World Bank, *World Development Indicators*, 1997; Canadian Tax Foundation, *The National Finances*

- ◆ **Advocate a stable and visible domestic monetary policy and competitive exchange rates to the federal government.** To thrive, businesses need a monetary policy that is clearly understandable, not volatile, and not likely to change drastically on the election of a new government. The Task Force recognizes that monetary policy is not a provincial responsibility but, given its importance to trade, recommends that the Province advocate for policy stability and competitive exchange rates. The Task Force acknowledges that the current US exchange rate is a major advantage for Ontario's exporters. As one senior executive commented, "The only thing that matters is having a...low-cost product."

## ➔ ATTRACT AND RETAIN SKILLED PEOPLE

The Task Force agrees that one of Ontario's key constraints to export growth is a shortage of talent, particularly of scientists and engineers in high technology and of skilled tradespeople, such as toolmakers, in manufacturing. Despite Canada's consistently high quality of life ratings,<sup>8</sup> it suffers from a net outflow of skilled people to the United States. Between 1990 and 1994, Canada lost on average a net annual total of 633 engineers, scientists, mathematicians, and computer specialists and 1,935 business managers.<sup>9</sup> To help reduce this outflow, the Task Force recommends the Province:

- ◆ **Reduce personal income taxes.** Task Force members view personal taxes as the decisive issue in attracting and retaining skilled people. Although Ontario's marginal rate of personal income tax has been decreasing, it remains higher than those of most other English-speaking regions (Exhibit 1-4). As one senior executive explained, "Canadians don't mind paying a bit more for a bigger social net and a better quality of life, but don't go too far." Ontario's tax differentials are particularly acute compared to those of the United States. A recent study suggests that a single-salary married couple with two children, a mortgage, and an income of US \$100,000 would pay 52 percent more tax in Toronto than in New York and 96 percent more tax in Toronto than in Houston.<sup>10</sup>

<sup>8</sup> Canada ranks first according to access to resources relevant to standard of living, level of education, and life expectancy (United Nations, *Human Development Report*, 1997).

<sup>9</sup> "Why some of our brightest are heading south," *The Globe and Mail*, February 28, 1998.

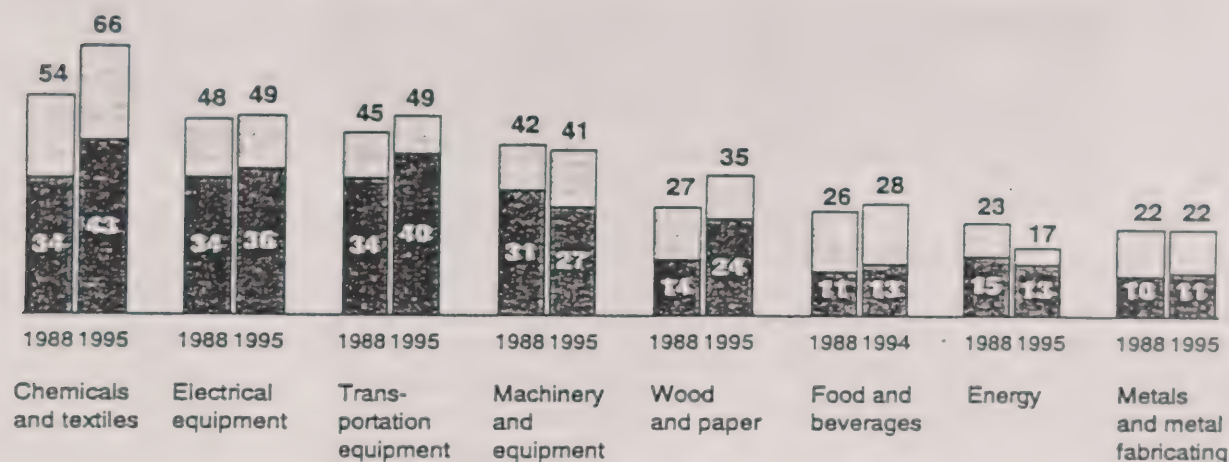
<sup>10</sup> Price Waterhouse quoted in "Why some of our brightest are heading south," *The Globe and Mail*, February 28, 1998.



## FOREIGN-CONTROLLED SHARE OF ASSETS OF SELECTED CANADIAN INDUSTRIES

Percentage of share of industry assets

Other nationality  
US parent



Source: Statistics Canada

## ATTRACTING EXPORT-ORIENTED FOREIGN DIRECT INVESTMENT

### Ireland case study

#### Positioning

- Business-friendly, pro-European gateway to the European market
- 10 percent corporate tax rate until 2010, lowest in Europe
- Young, skilled, highly educated, English-speaking, expanding workforce
- Tax-free patent royalty income on products developed in Ireland
- Sophisticated telecommunications infrastructure, including a toll-free capability between Europe and the US for companies with call centres

#### Self-reinforcing sector clusters

- **Financial services** – Dublin's International Financial Services Centre houses back-office operations, offshore mutual funds, insurance, and corporate treasury services for companies like Citibank, Merrill Lynch, Daiwa
- **International services** – call centres for companies like Best Western, UPS, Dell
- **Electronics** – manufacturing facilities for Apple, Motorola, Hewlett-Packard, Intel, 3 Com
- **Consumer products, pharmaceuticals, engineering**

#### Impact

- Foreign-owned firms account for 30 percent of the economy and nearly 40 percent of exports
- Exports amounted to 80 percent of GDP in 1996
- Output per worker in foreign manufacturing firms nearly 3 times that in domestically-owned companies

Source: "Europe's Tiger Economy," *The Economist*, May 17, 1997; Industrial Development Agency Ireland website

- 
- ◆ Advocate a more flexible immigration policy to attract needed skilled professionals. The Task Force recognizes the need to attract more skilled immigrants to Canada. The federal effort to expedite the immigration process for information technology professionals appears to address some of the Task Force's concerns,<sup>11</sup> but there may be room to intensify and extend these efforts. As one executive commented, "Companies need to be able to obtain work permits easily for international candidates...Although Canada is middle of the road internationally on this score, it lags the US – its most serious competitor for talent."

→ In addition, the Task Force recognizes that world-class science education and well-funded research centres of excellence are essential in attracting and retaining scientific people. These are discussed more fully in Chapters 3 and 4. The Task Force also recommends that the Province measure the net flow of skilled people from and to Ontario to monitor progress in addressing the skills shortage problem.

## TARGET AND RECRUIT FOREIGN INVESTMENT

Many Task Force members believe that attracting foreign investment in export industries is a quick and direct way for Ontario to increase exports. As one executive explained, "If you want to grow exports fast, the biggest bang for the buck would come from attracting another Honda."

Foreign direct investment brings broad economic benefits. It increases domestic output (and potentially exports) directly by increasing production. It also enhances domestic productivity by allocating more resources to the most productive sectors and by exposing local businesses and employees to international best practice.<sup>12</sup> In Canada, foreign direct investment, particularly from the United States, fuels manufacturing industries and has become increasingly important to the economy over the past decade (Exhibit 1-5).<sup>13</sup>

Executives in the Working Groups recommend that Ontario more clearly position itself as a site for investment and intensify its efforts to recruit foreign companies. They considered the example of Ireland, which has implemented policies to attract telecommunications- and research-intensive companies and marketed itself as the gateway to Europe (Exhibit 1-6). One Working Group discussed the possibility of Ontario more consciously positioning itself as the gateway to the US market.

<sup>11</sup> "Canada's race for expertise," *The Globe and Mail*, February 21, 1998.

<sup>12</sup> McKinsey Global Institute, *Manufacturing Productivity*, 1993.

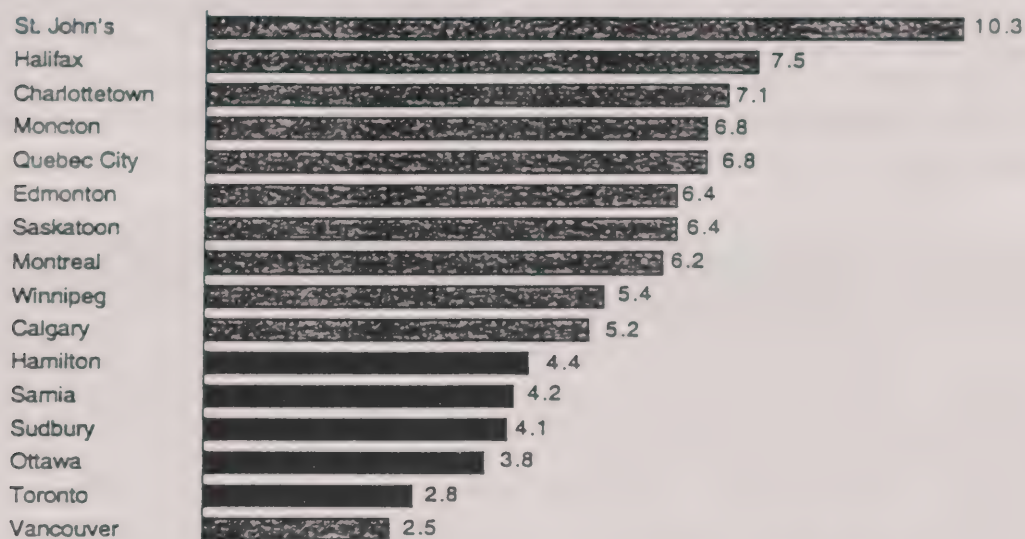
<sup>13</sup> Foreign direct investment accounts for 10 percent of the global economy (United Nations, *World Investment Report*, 1996, Annex).



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## OVERALL BUSINESS LOCATION COST COMPARISON BY CITY

Percentage of total cost advantage relative to US 4-city average



Source: KPMG, *The Competitive Advantage: A Comparison of Business Costs in Canada, Europe, and the United States*, October 1997

The Task Force also discussed the importance of an effective process for targeting and recruiting foreign investment. Some people observed that Ontario's government leaders do not appear to court investment as aggressively as US governors or the government of Quebec. According to one senior executive, American government officials couple this aggressive courting with compelling "sales" propositions that are unparalleled in Canada. The fact that Ontario cities carry a cost disadvantage compared with other Canadian cities (Exhibit 1-7) makes developing an effective process for attracting investment even more critical.

## RECOMMENDATIONS

- ◆ Study potential provincial policy changes and lobby the federal government to promote:
  - A stable and visible domestic monetary policy and competitive exchange rates
  - Reductions in the regulatory and bureaucratic barriers to conducting business efficiently
  - Continued reductions in tariff and non-tariff barriers to trade between Canada and other countries and between Ontario and the other provinces
  - Corporate and personal tax rates competitive with those of the United States
  - A more flexible immigration policy to attract skilled needed professionals
- ◆ Choose measures and institute a process to monitor the net flow of skilled people from and to Ontario.
- ◆ Assess the effectiveness of, and identify improvements to, the current process for attracting foreign investment to Ontario; intensify efforts to target and attract foreign companies.



## Build a more pervasive global mindset

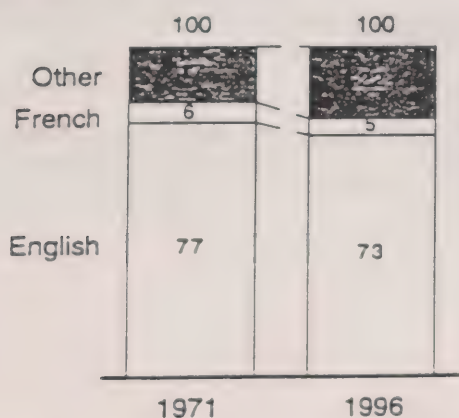
THE TASK FORCE RANKED building a global mindset as the second highest impact action for increasing exports in Ontario and believes that such a mindset constitutes an essential part of the province's environment for excellence. Businesses, business associations, labour, media, governments, educators, and youth need to understand the importance of participating in the global economy. This understanding will help shape future leaders' attitudes on global business policy and encourage more people to participate in bringing Ontario's businesses to the world.

In both interviews and Working Group sessions, Task Force members observed that – despite its multicultural and multilingual population (Exhibit 2-1) – Ontario is not as globally minded as it could be. In truth, Ontarians' outward views tend to be primarily on the United States. Eighty-one percent of Canadians' trips abroad are to the United States,<sup>14</sup> and almost 90 percent of Ontario's merchandise exports are shipped south of the border.<sup>15</sup> However, even this one strong export relationship does comparatively little to bring export issues to the public eye. The Ontario (and national) media, for example, places notably less emphasis on export issues than its counterparts in other large exporting regions (Exhibit 2-2).

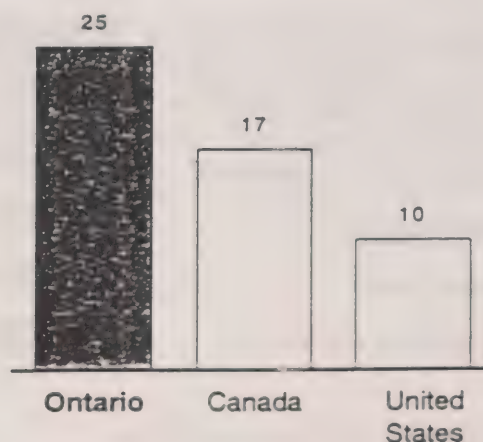
Exhibit 2-1

### MULTICULTURAL POPULATION

Ontario's mother-tongue breakdown  
Percent



Foreign-born population  
Percent



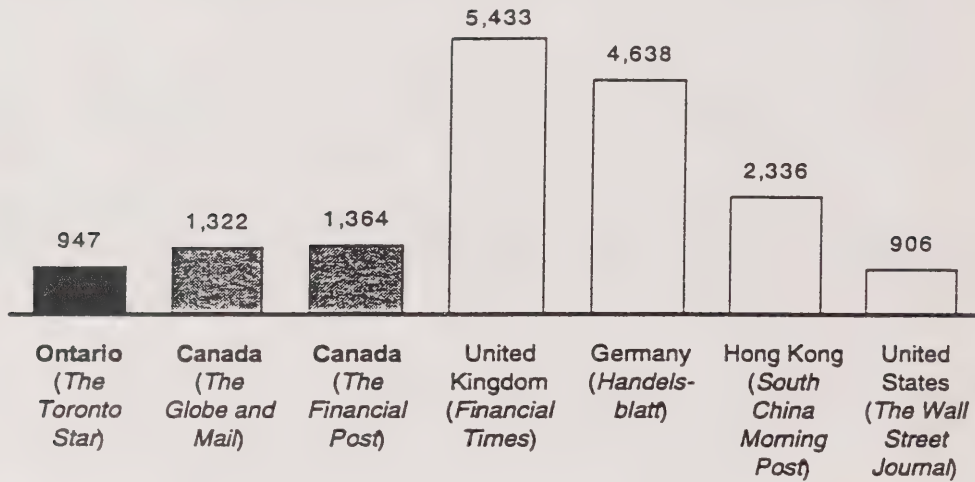
Source: Statistics Canada press releases; US Census Bureau

<sup>14</sup> Trips of one or more nights, Statistics Canada, 1995 figures.

<sup>15</sup> Statistics Canada via Standard & Poor's DRI Canada.

## REGIONAL/NATIONAL NEWSPAPER COVERAGE OF EXPORTS

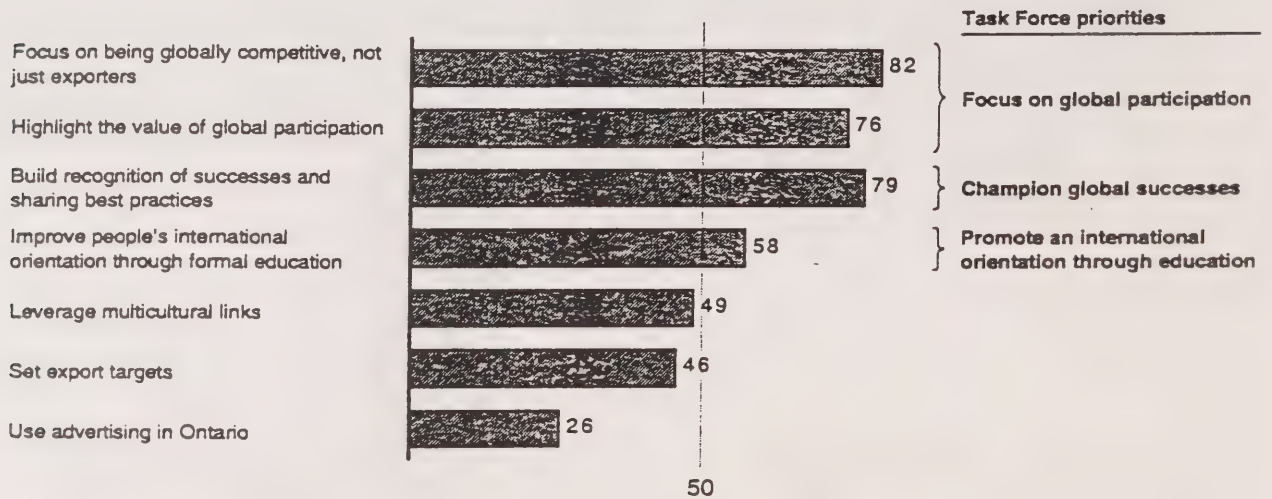
Number of occurrences, 1997



Source: Press

## ELEMENTS IN BUILDING A GLOBAL MINDSET

Percentage of Task Force responding "agree" or "strongly agree"



Source: Summary survey of Task Force views



The vast majority of Ontario's exports come from large companies. In fact, most small- and medium-sized companies do not export at all.<sup>16</sup> This suggests that instilling a more global mindset among company leaders and Ontarians in general could yield a substantial export dividend.

In identifying the most important elements in building such a global mindset (Exhibit 2-3), the Task Force pointed to three overall priorities:

- ◆ Focus on global participation
- ◆ Champion global successes
- ◆ Promote an international orientation through education.

## FOCUS ON GLOBAL PARTICIPATION

Task Force members embraced the term "global mindset" because they believe Ontario's overall aim should be to increase participation in the global economy, rather than simply to grow exports. Eighty-two percent of Task Force members agree that building a global mindset must also involve focusing on becoming "world beaters," instead of merely exporters. Ontario can participate in the global economy in several ways: foreign investment in Ontario, Ontario investment abroad, and trade. Studies conducted by the McKinsey Global Institute have shown that global market participation improves the productivity of domestic industry by exposing it to competition with world productivity leaders (Exhibit 2-4). Productivity improvements resulting from competition may in turn help to stimulate output across the economy, leading to an increase in employment.<sup>17</sup>

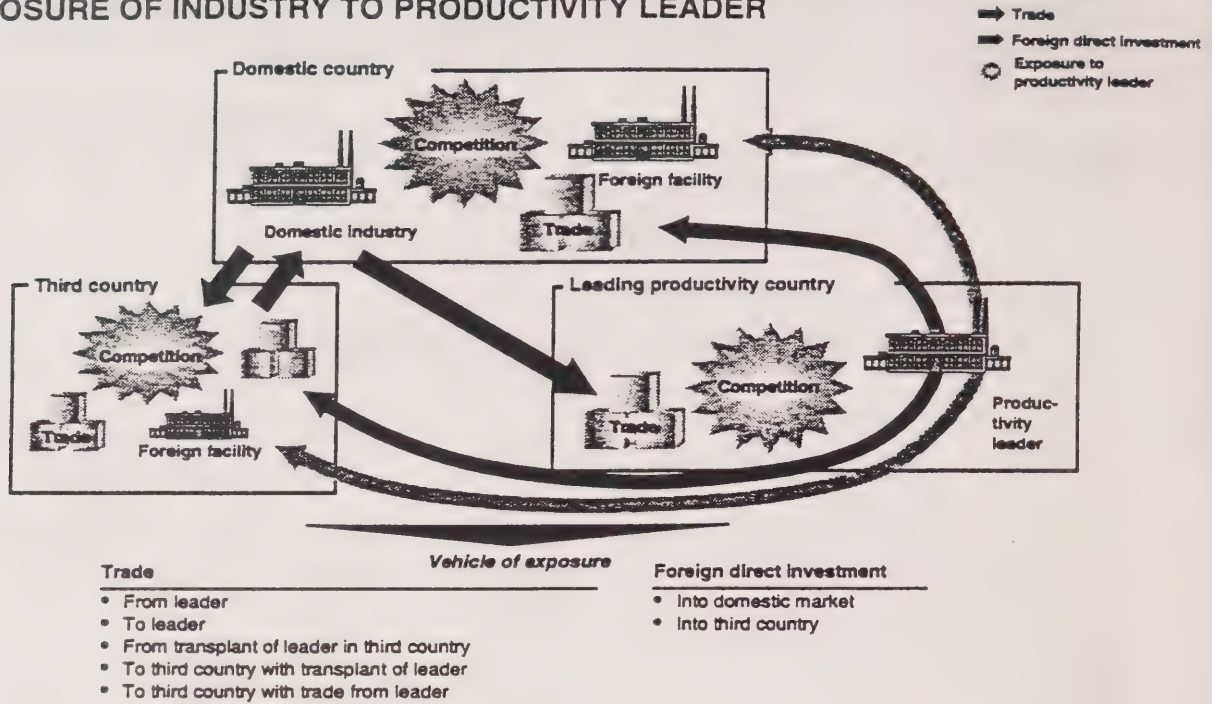
## CHAMPION GLOBAL SUCCESSES

Almost 80 percent of Task Force members agree or strongly agree that creating a global mindset should involve recognizing global successes. They believe that doing so will help build Ontario's global mindset by reinforcing the value of global participation and disseminating best practices. Championing success requires a combination of perceived government support, peer pressure, and media attention. The Task Force recommends that the Province:

<sup>16</sup> Only 15 percent of firms with sales less than \$25 million and 51 percent of firms with sales between \$25 million and \$100 million export (Statistics Canada via Standard & Poor's DRI Canada); see Exhibit 0-3.

<sup>17</sup> McKinsey Global Institute, *Sweden's Economic Performance*, September 1995.

## EXPOSURE OF INDUSTRY TO PRODUCTIVITY LEADER



Source: McKinsey Global Institute, *Manufacturing Productivity*, October 1993



- ◆ **Support prestigious business awards.** The Task Force believes awards are an important vehicle for recognizing and attracting attention to global business successes. Business awards are most effective when they share best practices or help build networks as well as publicize success. The US Malcolm Baldrige National Quality Award, for example, recognizes companies for business excellence and quality and requires recipients to share information about their successful performance strategies with other US organizations.<sup>18</sup> Australia's Top Exporters Club draws its members from recent finalists in the Australian Export Awards. The group serves a number of purposes, from providing input on government policies and programs to developing a stronger network among leading exporters and increasing the profile of the export economy.<sup>19</sup>
- ◆ **Encourage leaders to speak out.** The Task Force believes that elected officials can play a valuable role in fostering a more pervasive global mindset by drawing attention to successful global companies and speaking out on global business issues to increase media attention. In the United States, for example, the US Foreign Commercial Service regularly gives export results to members of Congress to encourage them to champion export successes.<sup>20</sup>

Business leaders, too, can contribute to global mindset building by sharing their global business experiences with the media. For example, after participating in an Australian Manufacturing Council study on Australia's export growth, the chairman of a large Australian manufacturing company committed to mentioning export issues in all of his speeches thereafter.<sup>21</sup>

- ◆ **Use caution in setting export targets and advertising.** Throughout this effort, Task Force members have expressed mixed opinions about setting export targets. Some believe that "what gets measured, gets done," while others urge caution. One executive wrote in his comments to the survey, "Setting blanket targets without a clear understanding of the underlying conditions of the export community, the opportunities for growth, and the need for investment makes no sense and therefore becomes an exercise with little credibility." Only a minority of Task Force members agree or strongly agree that building a global mindset should include setting export targets. When asked to comment on setting a specific target for export growth of 0.5 percent of world market share by 2001 (~70 to 90 percent growth), 49 percent of Task Force members agreed that the target was achievable, while 31 percent thought it was too ambitious.

<sup>18</sup> National Institute of Standards and Technology, National Quality Program website.

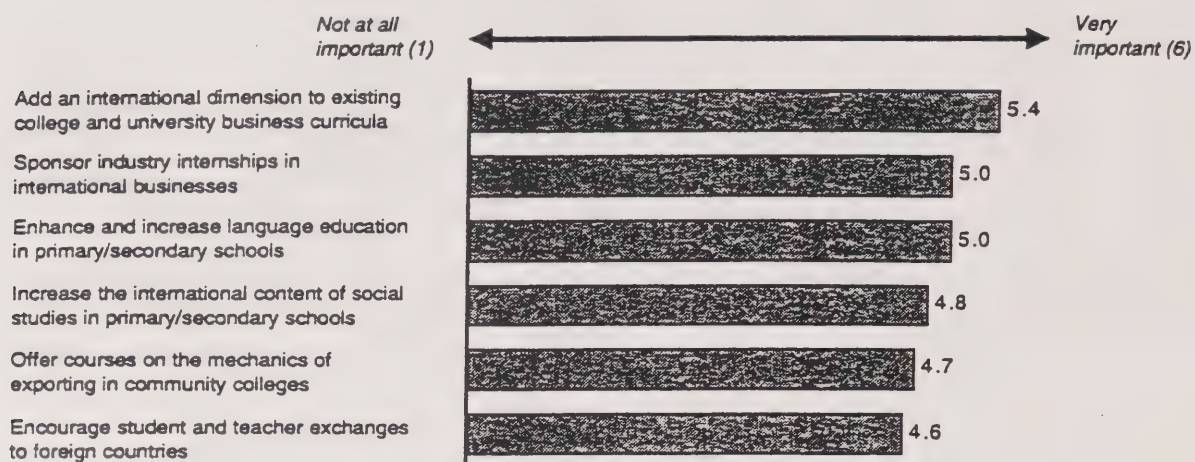
<sup>19</sup> McKinsey & Company and the Australian Manufacturing Council, *Emerging Exporters: Australia's High Value-Added Manufacturing Exporters*, 1993.

<sup>20</sup> McKinsey & Company, *Lead Local Compete Global: Unlocking the Growth Potential of Australia's Regions*, 1994.

<sup>21</sup> Interview with Australian Manufacturing Council project leader.

## PROMOTING INTERNATIONAL ORIENTATION THROUGH EDUCATION

### Task Force weighted average responses



Source: Summary survey of Task Force views



Advertising, such as television spots and billboards, to promote a global mindset throughout Ontario met with less enthusiasm from the Task Force. Only 26 percent agree or strongly agree, while 18 percent disagree or strongly disagree with using advertising in Ontario. The concerns raised about advertising ranged from the untargeted nature of mass marketing to the potentially high cost.

## PROMOTE AN INTERNATIONAL ORIENTATION THROUGH EDUCATION

More than half the Task Force members agree or strongly agree that building a global mindset should involve improving the province's international orientation through formal education. Although this would require a long-term program, the Task Force considers several specific initiatives in this area to be important (Exhibit 2-5). At the top of the list is adding an international dimension to existing post-secondary business curricula. Sponsoring industry internships in international businesses is recommended as another means of increasing Ontario's international outlook. The Task Force members also consider it important to enhance and increase language education in primary and secondary schools to equip would-be exporters with the necessary language skills.

The education system is a powerful tool for building a mindset that is business-oriented, as well as global. The Task Force considers it vital to improve the economic literacy, foster the entrepreneurship, and hone the business awareness of the people of Ontario through formal education.

\* \* \*

Though most of these actions will require that government play some leadership role, the Task Force favours developing a leadership team that includes a broad range of individuals and organizations. Task Force members exhibited the strongest preference for leadership from business associations and individual company executives and the weakest preference for leadership from universities and colleges. The Task Force also recommends that the mindset have a broad geographical orientation.

## RECOMMENDATIONS

- ◆ Assess existing business awards and support or develop awards that recognize global business success, disseminate best practices, and help build networks.
- ◆ Develop a plan to encourage elected officials and business leaders to draw attention to successful global companies. Communicate this plan widely within the government and business communities and to the media.
- ◆ Investigate how to increase the international and general business content of the education curriculum at all levels.
- ◆ In particular, identify ways to add an international dimension to existing post-secondary business curricula.





### Chapter 3

## Improve and expand science education

TO CREATE THE TECHNICALLY SKILLED WORKFORCE required by Ontario's knowledge-based industries, the Task Force recommends improving and expanding science education. Though this is a long-term strategy, the link to exports is direct. For example, when asked to identify the critical barrier to export growth in their industries, several executives cited the shortage of engineers, computer scientists, and physicists. To overcome this barrier, they recommend placing greater emphasis on science and engineering education.

Echoing this view, the Task Force has highlighted two equally important areas for action:

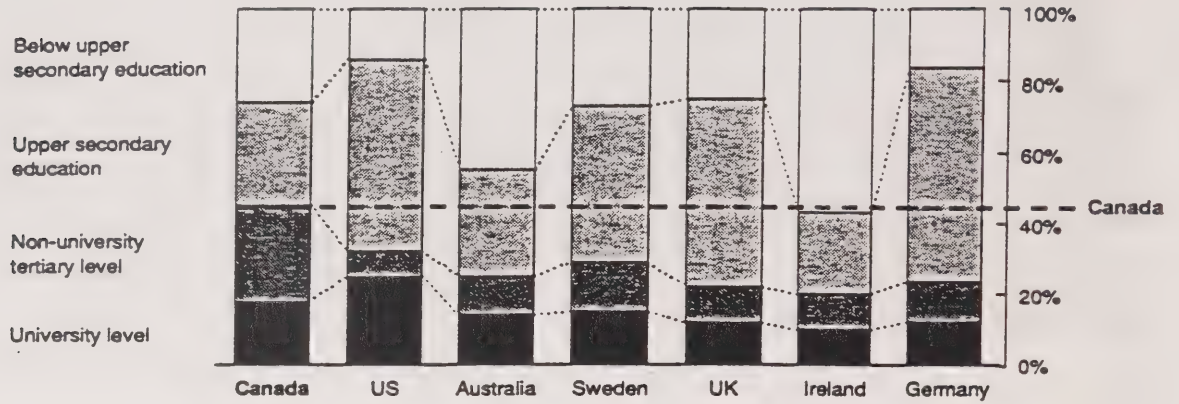
- ◆ Increase the number of Ontario's post-secondary science and engineering graduates
- ◆ Improve the quality of Ontario's science education at the primary, secondary, and post-secondary levels.

### INCREASE THE NUMBER OF ONTARIO'S POST-SECONDARY SCIENCE AND ENGINEERING GRADUATES

Like many other Canadian business people, the Task Force members are concerned about the availability of technically skilled personnel. Eighty-five percent consider it important or very important that the Province work toward increasing the number of scientists, computer scientists, and engineers graduating at the post-secondary level. Although Canada boasts one of the highest percentages of people educated at the post-secondary level in the world (Exhibit 3-1), it leads other developed economies in the awarding of humanities degrees and lags in engineering, architecture, mathematics, and computer science degrees (Exhibit 3-2).

## HIGH PROPORTION OF PEOPLE WITH POST-SECONDARY EDUCATION

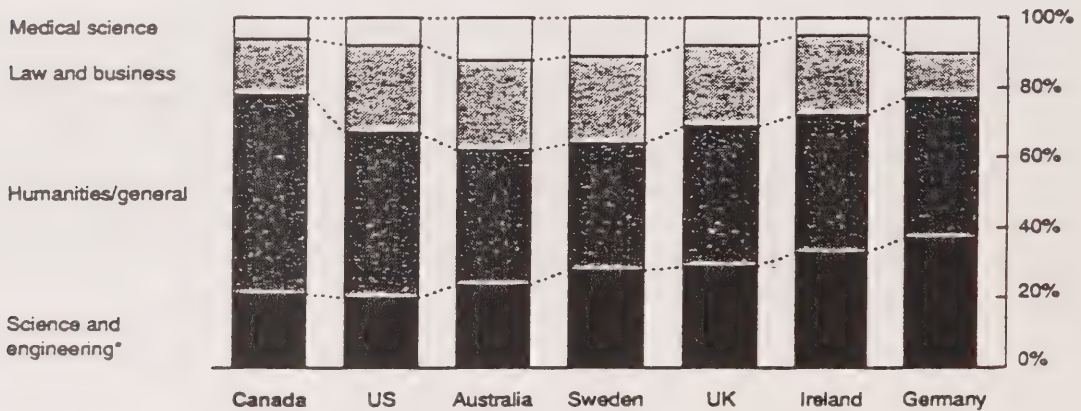
Distribution of population by highest level of education  
Percent



Source: OECD Centre for Educational Research and Innovation, *Education at a Glance: OECD Indicators*, 1997

## LOW PROPORTION OF ENGINEERS AND COMPUTER SCIENTISTS

Distribution of subjects in which university-level degrees are awarded  
Percent



\* Includes engineering/architecture, mathematics/computer science, natural science

Source: OECD Centre for Educational Research and Innovation, *Education at a Glance: OECD Indicators*, 1997



As emphasized by the Task Force, this situation has contributed to the serious shortage of skilled technical personnel available to Canada's high technology companies.<sup>22</sup> The Software Human Resource Council estimates that 20,000 technology jobs are currently vacant in Canada because there are not enough skilled people to fill them, and that there will be 30,000 such vacancies, or possibly as many as 50,000, within 2 years.<sup>23</sup> High technology companies are not alone in their need for skilled technical employees: the challenge of the Year 2000 problem, the vastly increased importance of the Internet, and the ubiquity of computers mean that all businesses need information technology personnel.

## IMPROVE THE QUALITY OF ONTARIO'S SCIENCE EDUCATION

Producing a technically skilled workforce requires encouraging children's interest in science and math at a young age and ensuring high-quality education in these subjects. Task Force members have expressed concern about Ontario's performance in both of these areas. Seventy-seven percent consider it important or very important that the Province seek to improve the quality of science education in its primary and secondary schools.

Evidence suggests their fears are well-founded. In the Third International Mathematics and Science Study (TIMSS) administered to 13 year olds in 1996, Canada ranked only 15<sup>th</sup> of 41 countries. Moreover, Ontario students performed below the world average in both math and science.<sup>24</sup> In a national math test administered in 1997, Ontario's 13 and 16 year olds performed below the national average in both the math knowledge and the problem-solving components.<sup>25</sup>

The problem does not seem to be lack of money: Ontario spends more per student on education than most other provinces. Experts studying the problem point to fewer hours of science instruction, an outdated curriculum, and a teacher certification system that does not require sufficient training in math and science.<sup>26</sup> The Task Force hopes that this problem will be addressed during current education reform.

<sup>22</sup> For a fuller discussion of higher education and the skills shortage, see Nortel, *The Supply of High-Technology Professionals: An Issue for Ontario's and Canada's Future*, January 1998.

<sup>23</sup> "Canada's race for expertise: Corporations crying out for technically literate graduates," *The Globe and Mail*, February 21, 1998; "Making Nice," *Report on Business Magazine*, March 1998, p. 98.

<sup>24</sup> "Why Johnny can't kick some butt," *Canadian Business*, Summer 1997, pp. 47-50; "Ontario science education goes under microscope," *Ottawa Citizen*, February 24, 1997, p. A4.

<sup>25</sup> "High-school student test results not up to scratch," *The Globe and Mail*, February 28, 1998, p. A3.

<sup>26</sup> "Ontario science education goes under microscope," *Ottawa Citizen*, February 24, 1997, p. A4.

Although the quality of science education at the post-secondary level in Ontario is generally regarded as high, 79 percent of the Task Force members still consider it important or very important that the Province seek improvement in this area. The Task Force also stressed the importance of producing science graduates with business acumen and entrepreneurial ability, who can take the initiative in a corporate environment or in starting their own companies.

\* \* \*

Some members of the Task Force cautioned that producing more and better science graduates will only profit Ontario if these people stay in the province. Providing competitive personal income tax rates, discussed in Chapter 1, is crucial. Adequately funding scientific research is also important, and is discussed in Chapter 4.

## RECOMMENDATIONS

- ◆ Work with the private sector to identify specific actions to stem the current technical skills shortage.
- ◆ Develop options to increase the number of science, computer science, and engineering graduates from Ontario universities.
- ◆ Continue to pursue improvements to the quality of science and math education at all levels of Ontario's education system; ensure that science graduates are equipped with business skills.



## Create and maintain research centres of excellence

THE TASK FORCE VIEWS CREATING and maintaining research centres of excellence as an investment that will continually fuel export growth over the long term. This is particularly true in the high technology industry identified in the Introduction as one of Ontario's emerging export sectors.

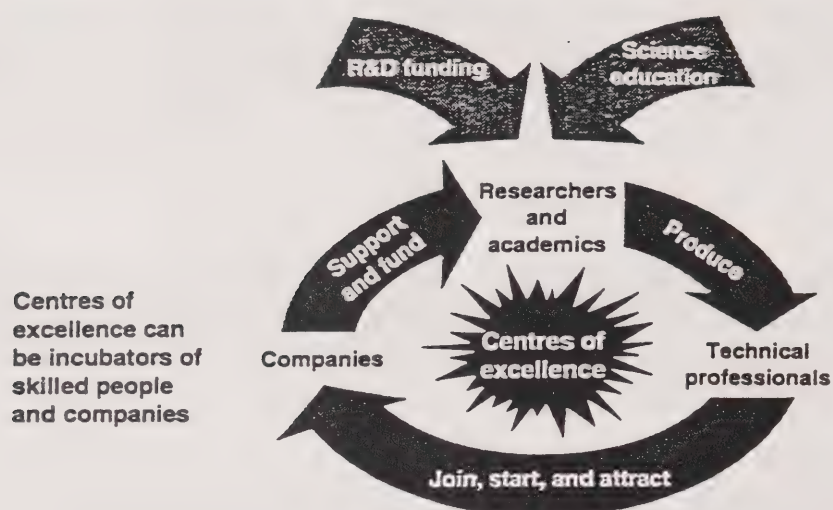
A research centre of excellence produces skilled employees and ensures that knowledge-based companies are continually reinvigorated by cutting-edge research. Such a centre may be an independent research institute or a university with world-class capabilities in a particular subject – for example, the Pasteur Institute in medical research and MIT in engineering. Or a centre might include a geographical region where several universities, research institutes, and companies together lead the world in a particular area of research. It may focus on one sector or academic discipline or encompass multiple fields. Silicon Valley is the outstanding example of this kind of broader centre of excellence, being built around the interchange between technology companies, the University of California at Berkeley, and Stanford. Canada's Technology Triangle is another example with its more than 350 technology companies exploiting and fueling the strengths of the University of Waterloo, the University of Guelph, Wilfrid Laurier University, and Conestoga College.

Research centres of excellence also establish a virtuous cycle that creates and nurtures successful companies and industries (Exhibit 4-1). Leading-edge research and top-quality science education produce, attract, and retain world-class researchers and academics. These in turn educate a pool of skilled technical professionals who work for or start up their own companies locally. The abundance of skilled personnel and the promise of exposure to leading academics also attract new companies to the area. These companies bring leading researchers of their own, who further complement the hothouse research environment.

Creating and maintaining research centres of excellence clearly depend on the availability of high-quality, high-quantity science education, which was explored more fully in Chapter 3. The Task Force recommends that the Province:

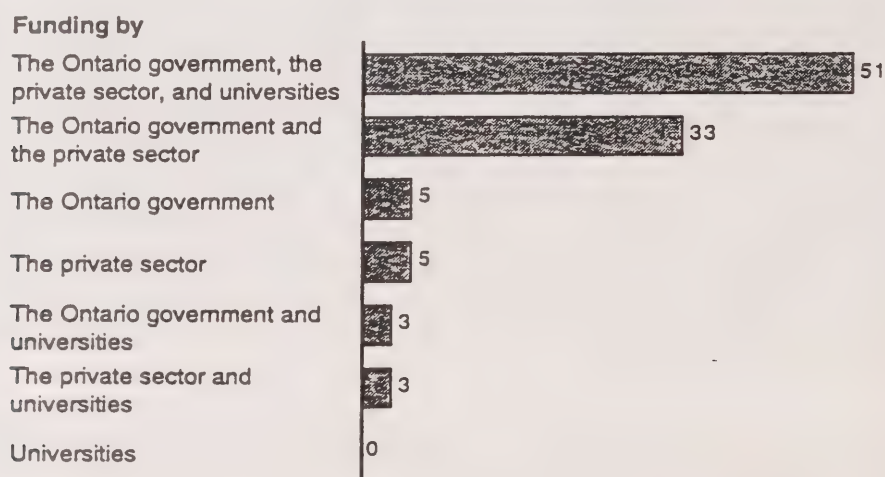
- ◆ Build stronger links between industry and academic researchers
- ◆ Provide more R&D funding.

## THE VIRTUOUS CYCLE OF RESEARCH CENTRES OF EXCELLENCE



## JOINT FUNDING OF RESEARCH CENTRES OF EXCELLENCE

### Percentage of Task Force responses



Source: Summary survey of Task Force views



## BUILD STRONGER LINKS BETWEEN INDUSTRY AND ACADEMIC RESEARCHERS

Seventy-seven percent of the Task Force members consider it important or very important to build links between industry and academic researchers. They believe greater industrial-academic collaboration would more fully exploit Ontario's knowledge base. However, as one Working Group member pointed out, tensions exist in such relationships – for example, the industry need for secrecy versus the academic need for published results. Nonetheless, the Task Force clearly views an industrial-academic partnership as the key to research success. The majority of Task Force members believe that new research centres of excellence should be initiated jointly by the Province, the private sector, and universities.

## PROVIDE MORE R&D FUNDING

Ample funding for scientific research and generous R&D tax incentives are important in attracting and retaining companies and highly skilled scientific people. While registering mixed views, the Task Force believes on balance that the Province should provide more research and development funding to targeted universities and institutes. However, Task Force members believe that funding should not be entirely the government's responsibility. The majority favour joint funding of research centres of excellence by the Province, the private sector, and universities (Exhibit 4-2).

### RECOMMENDATIONS

- ◆ Consider ways to improve industrial-academic links
- ◆ Identify sectors in particular need of a supporting research centre of excellence and investigate options for increasing research funding for them
- ◆ Evaluate existing programs to encourage research and document best practices from successful research centres of excellence in Ontario and abroad

## *Part II: Provide targeted advocacy and SME programs*

AS EXPLAINED IN PART I, the Task Force believes that the top priority for the Province is to foster an environment for excellence in which business can thrive. In further outlining a government role, the Task Force emphasized the need for targeted programs and identified two areas for particular attention:

- ◆ Act as a strong advocate for Ontario businesses in Canada and abroad
- ◆ Provide targeted export support to small- and medium-sized enterprises (SMEs).

Beyond these broad categories, the Task Force members had a broad range of views on precisely which export services are required, and whether and how the Province should deliver them. Task Force members did, however, emphasize the importance of the provincial and federal governments working together efficiently (not in competition) to support the interests of Ontario businesses. They also agree on the need to simplify communication between business and government. To achieve this, they recommend the creation of a single point of government contact for business. This point of contact would handle requests for advocacy support and provide information on all provincial and federal export services. The United States provides two useful models. By dialling 1-800-USA-TRADE, American companies reach the Trade Information Center of the US Department of Commerce, a "one-stop shop" for US government export assistance. The US Advocacy Center helps US companies resolve problems such as unfair treatment by foreign government decision-makers and tenders tied up in red tape, by directing requests for advocacy support to the relevant government department. It coordinates activities that range from the Secretary of Commerce sending a single letter on behalf of a small enterprise to a full secretarial mission.

Several Task Force members expressed enthusiasm for a single point of contact not only for advocacy and export programs, but also for all other business matters. Executives from large and small companies alike would value having one person to manage their inquiries on matter ranging from labour law to environmental regulation. The Province might also use this single point of contact to provide specialist contacts for communities of common interest, as explained more fully in Part III.

Overall, the Task Force favours the Province acting as facilitator and catalyst, and not as director and funder.



## Act as a strong advocate for Ontario businesses in Canada and abroad

REFLECTING THE PARTICULAR ADVOCACY needs of smaller organizations, Task Force members from small- and medium-sized companies<sup>27</sup> ranked advocacy as a higher impact action than those from large companies (Exhibit 5-1).

### ADVOCACY AS A RELATIVE PRIORITY

Exhibit 5-1

#### Percentage of Task Force first and second place rankings



\* Companies with revenues less than \$100 million; percentages do not sum to 100 due to rounding

Source: Summary survey of Task Force views

As described by the Task Force, advocacy involves both internal and external components. Advocacy at home entails the Province lobbying the federal government on behalf of Ontario companies. Advocacy abroad refers to politicians and government officials communicating support for Ontario companies to potential buyers in foreign markets.

<sup>27</sup> Companies with revenues less than \$100 million.

Guided by this definition the Task Force discussed two focal points for the Province:

- ◆ Advocate within Canada
- ◆ Advocate abroad.

## ADVOCATE WITHIN CANADA

The Task Force identified two objectives for the Province in advocating for Ontario firms to the federal government:

- ◆ **Ensure national trade and economic policy and sectoral strategies support the interests of Ontario firms.** The majority of Task Force members identified policy-related lobbying as the highest impact advocacy role overall. The Province has an important role to play in ensuring that changes to federal taxation, monetary policy, regulation, tariff and non-tariff barriers, infrastructure policy, and immigration procedures have a direction and pace beneficial to Ontario companies. The Task Force believes that the Province needs to be more vocal in support of its industries. One executive identified the development of a national sector strategy as crucial for his business and recommended that “the Ontario government...take a lead role in shaping [it].” Another executive stated that provinces without a presence in his sector have received considerable federal research funding in order to foster one. This has left Ontario, which has a large sector presence, with substantially less than its share of federal research funding.
- ◆ **Ensure Ontario firms get their fair share of direct federal advocacy support and procurement contracts.** The general sense from the Task Force is that some provinces receive a disproportionate share of support from the federal government. The Province needs to ensure that Ontario firms fully leverage available federal advocacy support in foreign markets. Task Force members also emphasized that being awarded government procurement contracts in Canada can be vital in establishing the reputation and raising the profile of Canadian companies abroad. The Province must advocate to ensure that Ontario firms receive their fair share of these contracts.

## ADVOCATE ABROAD

Many Task Force members from large companies believe that direct advocacy abroad is a federal government responsibility. Many SMEs, by contrast, express a real need for provincial direct advocacy support. All Task Force members agree, however, that Ontario companies abroad are best served by identifying themselves with Canada. As one executive declared, “The brand is Canada.” The Task Force has two messages for the Province:



- ◆ Advocate directly through Ontario's elected officials (e.g., letters, phone calls, visits). This type of advocacy is helpful but not critical. In interviews and discussions, Task Force members emphasized that direct advocacy can be particularly important "in [some countries in] Asia and South America where politicians are more highly regarded than in Canada." As vehicles of advocacy "trade missions, particularly with the Prime Minister," are seen to "give companies great credibility."
- ◆ Acknowledge divided views on trade representatives in foreign markets. Despite extensive debate, Task Force members have remained polarized in their views on the overall importance of provincial trade representatives and on the precise form overseas representation should take. While 31 percent of Task Force members ranked advocacy through provincial trade representatives first among advocacy options, 33 percent ranked it last. In support of provincial trade representatives, one Steering Panel member from an SME wrote, "I believe passionately in having dedicated representatives of Ontario located overseas – possibly in Canadian embassies and trade offices. The value of one dedicated person with the right credentials cannot be overestimated." Many large company representatives disagreed, arguing that businesses need only leverage existing federal trade representatives. One Steering Panel member commented that "Provincial representatives abroad are a silly idea." He pointed to the difficulty in finding candidates with knowledge of the multiple sectors in a foreign market deep enough to be useful to Ontario companies.

## RECOMMENDATIONS

- ◆ Consider ways to improve advocacy for Ontario business within Canada.
- ◆ Define and investigate more fully the options for government advocacy in foreign markets.

## Provide targeted export support to SMEs

EXECUTIVES FROM BOTH small and large companies recognize that small- and medium-sized enterprises (SMEs)<sup>28</sup> face distinctive challenges in penetrating foreign markets because they lack sufficient money, time, networks, visibility, and experience. However, executives from SMEs do not view SME export support as the highest impact action for the Province as it seeks to grow exports. They rank it fourth, after business climate, advocacy, and communities of common interest.

The Task Force offers the following key messages for improving SME export support:

- ◆ Create a single point of contact for export information
- ◆ Focus energies on priority programs
- ◆ Use specialists to deliver focused programs.

### CREATE A SINGLE POINT OF CONTACT FOR EXPORT INFORMATION

The Task Force believes that the top priority SME export program for the government to provide is a single point of contact for information on provincial and federal export services. Executives from SMEs also rank this as the top priority program (Exhibit 6-1).

This point of contact should be able to direct SMEs to foreign market data and specific opportunity information. The overwhelming sense from the Task Force is that an adequate level of market and other information already exists. What SMEs need is direction to the most helpful existing sources and guidance on how to turn information into intelligence.

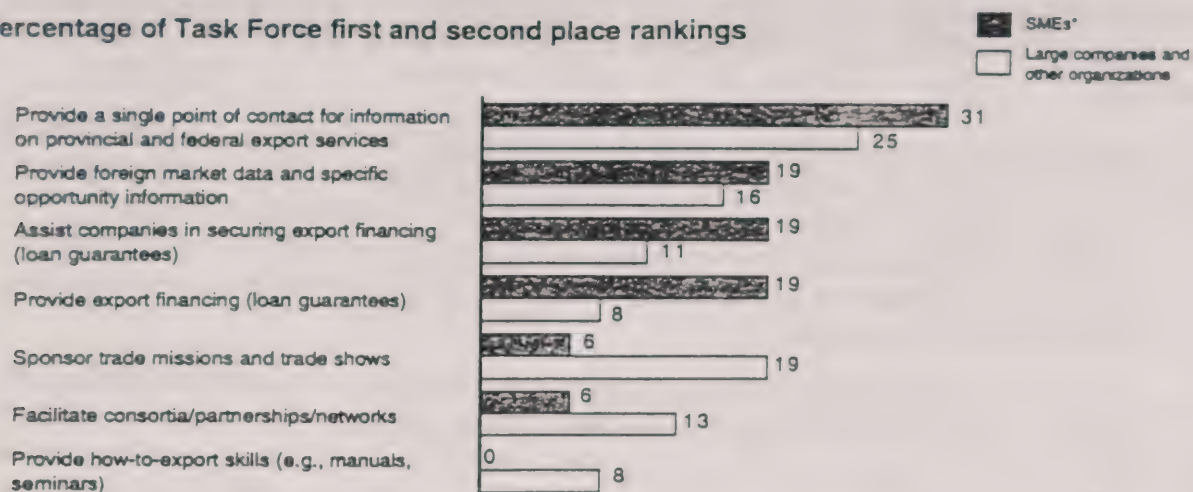
The single point of contact should also be able to field any inquiries for information – manuals, seminars, or software – about building how-to-export skills. It is less clear that the Province itself should seek to disseminate these skills. The survey reveals that SME executives regard providing how-to-export skills as the lowest priority among the range of possible programs listed in Exhibit 6-1.

<sup>28</sup> Companies with revenues less than \$100 million.



## HIGHEST PRIORITY SME EXPORT PROGRAMS

### Percentage of Task Force first and second place rankings



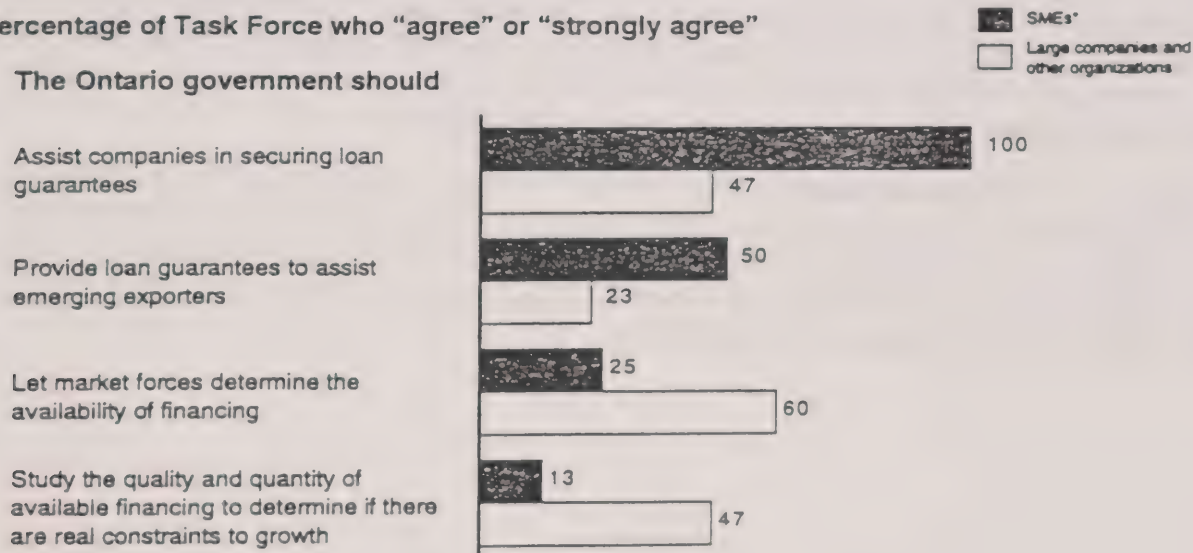
\* Companies with revenues less than \$100 million

Source: Summary survey of Task Force views

## DIFFERING VIEWS ON EXPORT FINANCING

### Percentage of Task Force who "agree" or "strongly agree"

#### The Ontario government should



\* Companies with revenues less than \$100 million

Source: Summary survey of Task Force views

## FOCUS ENERGIES ON PRIORITY PROGRAMS

Beyond the single point of contact, the Task Force discussed three other export programs: trade missions and shows; network, partnership, and consortia facilitation; and export financing.

Sponsoring trade missions and shows is a clear priority for the Province. As mentioned in Chapter 5, in some foreign markets, travelling on a trade mission with senior politicians lends invaluable prestige to business people. Trade shows expose foreign buyers to Ontario products and encourage foreign investment by demonstrating the strength of local suppliers. Trade missions and shows can also be valuable in building networks and partnerships between companies.

Government facilitation of networks, partnerships, and consortia did not emerge as a top priority from the survey. In Working Group discussions, however, Task Force members highlighted the value of government helping SMEs band together to overcome barriers to foreign market penetration.

Export financing has been a contentious issue throughout the Task Force process. Views remain divided, primarily by size of company, on the most appropriate role for the Province to take in this sphere. On balance, large companies favour letting market forces determine the availability of financing. Insofar as government has a role, these executives believe it is to further study the situation to assess if financing availability is truly a constraint to growth. Among the Task Force members from SMEs, the picture is markedly different. Although not unanimous, they view export financing as a higher priority than executives from large companies. They also tend to favour a more direct role for government, namely assisting companies in securing loan guarantees and perhaps providing loan guarantees to emerging exporters (Exhibit 6-2).

Overall, the Task Force considers it vital that the Province avoid duplicating federal and municipal efforts in providing SME export programs. As one Task Force member wrote, "An integration of all federal, provincial, municipal, and association programs should be reviewed to ensure no duplication of efforts..." Many similar programs are offered by different jurisdictions at present (Exhibit 6-3).



## PRELIMINARY ASSESSMENT OF PROGRAM CO-LEADERSHIP AND OVERLAP

Program type	Ontario initiative	Federal program	Municipal program	Industry association
Foreign market representation	Foreign market consultants	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Trade missions and shows	Large trade missions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Small-scale trade missions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Trade fairs	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Incoming buyers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Incoming delegations	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Market intelligence	Market identification missions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Canada's international business strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Education and market information for SMEs	Seminars/workshops for SMEs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	New exporters to border states	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Export seminars	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Geographically specialized consultants	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Source: Ontario International Trade Corporation

## USE SPECIALISTS TO DELIVER FOCUSED PROGRAMS

Half the Task Force members, including 83 percent of those from SMEs, prefer that specialists run SME export programs. Forty-three percent prefer that these programs be designed for specific sectors. Thirty-five percent favour the flexibility of either sector-specific or foreign-country-specific programs, believing that the focus should vary with the level of development of the sector and the foreign market.

The Ontario International Trade Corporation, Ontario's provincial trade agency, is currently organized by geographic market. To meet the demand for sector-specific specialist programs, it may wish to consider examples of trade agencies organized along sector lines in other provinces and countries. The New Brunswick provincial trade agency is organized by sector, with the exception of one division devoted to Latin America, which is seen as a key market. The California state trade agency is also organized by sector and is staffed by employees with MBAs and prior export business experience.<sup>29</sup>

### RECOMMENDATIONS

- ◆ Explore the potential for establishing a single government contact for export programs, advocacy, and other business inquiries. Communicate available government assistance clearly.
- ◆ Investigate how to sponsor trade missions and shows most effectively.
- ◆ Consider ways of helping SMEs leverage existing market and opportunity information.
- ◆ Further investigate whether financing availability is a constraint to export growth and determine appropriate government roles in export financing.
- ◆ Consider how to meet the demand for sector-specific and flexible export programs delivered by specialists.

<sup>29</sup> KPMG, *A Review of Trade Development Agencies in Selected Jurisdictions*, October 1997; Province of New Brunswick website; California Trade and Commerce Agency website.



## *Part III: Mobilize communities of common interest*

THE FIRST TWO PARTS of this report identified the actions that the Task Force believes will have the greatest impact on increasing Ontario's exports. Part III suggests that these actions are best implemented through communities of common interest.

The Task Force identified communities of common interest, particularly those focused on sectors, as promising vehicles for making export growth happen. They can provide energy, business expertise, and informed leadership on export and other economic development issues. They can also serve as the primary channel of distribution for provincial export programs.

The Task Force's discussion of communities focused on:

- ◆ Defining communities of common interest
- ◆ Understanding their potential power
- ◆ Designing a mobilization strategy
- ◆ Outlining the role of government.

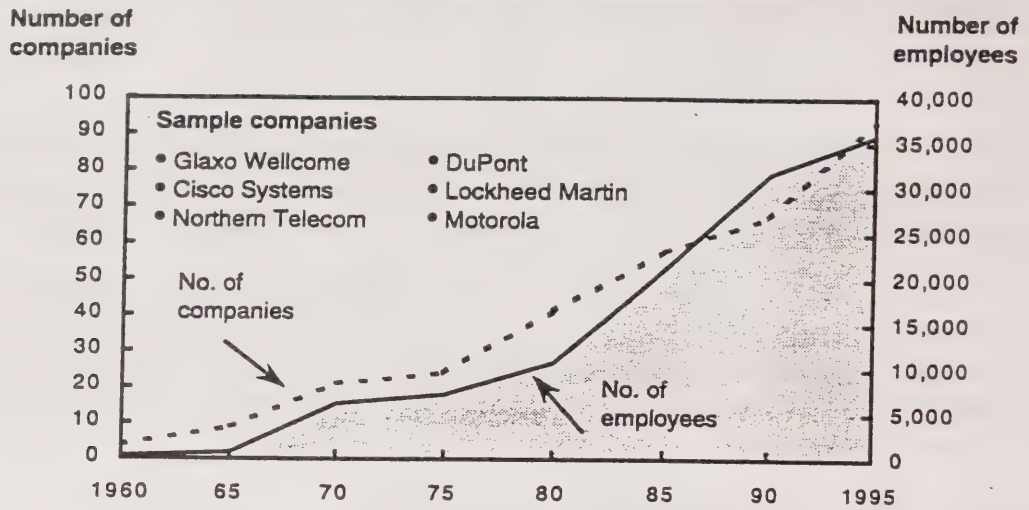
### DEFINING COMMUNITIES OF COMMON INTEREST

The Task Force defined communities of common interest as groups of individuals and businesses with designated leaders and a common set of economic development goals. They may be focused on a sector, region, or the intersection of a region and a sector. The majority of Task Force members believe that communities of common interest are most effective when they are sector-focused.

### UNDERSTANDING THEIR POTENTIAL POWER

Channelling export development efforts through communities of common interest would allow the Province to tap into an existing wealth of energy, expertise, and leadership already committed to economic development and to reach many more actual and potential exporters. The single point of contact concept described in Part II could translate into a government contact for each community who would handle inquiries on business issues. The contact person could be a sector specialist who links with communities of common interest as channels for export program delivery. The Province could, for

# RESEARCH TRIANGLE PARK SUCCESS – RALEIGH-DURHAM, NORTH CAROLINA



Source: Research Triangle Park website



example, respond to community requests for support by designing export program “toolkits.” Communities could then use these as guides for delivering programs themselves. This in turn would multiply the possible number of export programs and create programs tailored to meet business needs. As one Task Force member explained, “I believe that the concept of targeted export support to SMEs will be leveraged more effectively if tied to the community approach.”

Communities of common interest can also formulate long- and short-term strategic plans for their sector or region, and act as informed advocates. Mobilized communities can be powerful forces for change. In North Carolina in the late 1950s, university, business, and government leaders – confronted by a declining agricultural and manufacturing economy – created Research Triangle Park. As they envisioned, the Park is now home to more than 90 companies conducting world-class research and development (Exhibit III-1), and Raleigh-Durham has been recognized as one of the best cities for business and the best city for knowledge workers.<sup>30</sup>

Vibrant communities of common interest already exist in Ontario. The Ontario Aerospace Council, an association of 40 aerospace companies, is one example of a sector-focused community of interest. Canada’s Technology Triangle is a community of common interest focused on the intersection of the technology sector and the geographical region of Kitchener-Waterloo. Ontario’s many existing or nascent communities of common interest need to be mobilized to support export growth.

## DESIGNING A MOBILIZATION STRATEGY

The Task Force identified four factors that it believes are important to community of common interest mobilization. Ninety-seven percent of Task Force members consider visible leadership by the private sector to be important or very important. A close second, with 85 percent considering it either important or very important, is visible leadership from government. The majority of the Task Force believes that adequate funding and a documented success model, although less essential, would also be helpful.

One of the documented success stories discussed by the Task Force was the creation of Joint Venture: Silicon Valley Network. It provides a blueprint for community of common interest mobilization. In 1992, in response to slowed job growth, a leaders from Silicon Valley’s high tech and business services sectors rallied to restore economic vitality by addressing issues as wide-ranging as retaining local companies, increasing exports, and improving the local primary education system.

<sup>30</sup> “The Best Cities for Knowledge Workers,” *Fortune*, November 15, 1993; “The Best Cities for Business,” *Fortune*, November 2, 1992.

## PRINCIPLES OF CHANGE MANAGEMENT

1 Why change?	Constituent balance	What are the needs of constituents?
2 What to change?	Leverage	What will produce the greatest results?
3 How to drive change?	Momentum	What energy will drive change?
4 How to maintain change?	Leadership	What is the catalyst for change?
5 What to adjust?	Feedback & adjustment	What is the need for adjustment?

Source: McKinsey & Company experience

## COMMUNITY MOBILIZATION EXAMPLE

### Joint Venture: Silicon Valley Network

	Analysis	Participatory strategy	Implementation
	Mar-Aug 1992	Sep 1992-Jun 1993	Jul 1993-ongoing
<i>Key activities</i>	Conducted a strategic audit of the regional economy and galvanized interest in action. 1,000 leaders attended presentation	Launched a collaborative problem-solving and opportunity-identifying process involving more than 1,000 people	Launched a non-profit organization, Joint Venture: Silicon Valley Network, to support implementation of the initiatives proposed in Phase II
<i>Media comments</i>	<p>"Despite [the] show of interest, it is unlikely they will roll up their sleeves and invest the time and effort this venture needs"</p> <p>June 21, 1992</p>	<p>"Joint Venture already has accomplished some good things...down-to-earth, practical, common sense kinds of things"</p> <p>June 21, 1993</p>	<p>"The credibility and potential of Joint Venture took an important leap when Ed McCracken (CEO, Silicon Graphics) agreed to be its co-chair"</p> <p>September 21, 1993</p>

Source: Joint Venture: Silicon Valley Network, *The Joint Venture Way: Lessons for Regional Rejuvenation*, 1995



In mobilizing, the Silicon Valley community addressed the five principles of change management (Exhibit III-2). It took into consideration constituent balance by launching a process involving more than 1,000 local leaders (Exhibit III-3). By undertaking a strategic audit, it determined why change was necessary. This audit and a collaborative problem-solving process identified key leverage points for change. By adopting a three-stage process with defined goals and wide participation, the community built momentum. It also recognized the need for a credible leader during change. As shown by the reaction to the appointment of the CEO of Silicon Graphics, visible leadership from the private sector was crucial in sustaining Silicon Valley's mobilization. Finally, the community adjusted the structure of its initiatives based on local responses.<sup>31</sup>

## OUTLINING THE ROLE OF GOVERNMENT

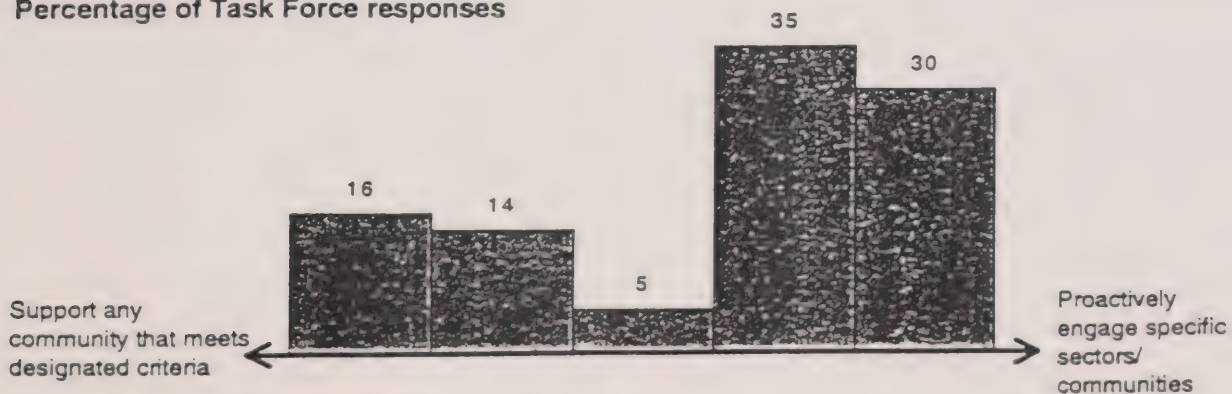
When Task Force members declared visible government leadership as important to mobilizing communities of common interest, they had a particular kind of leadership in mind. Eighty-two percent agree or strongly agree that the Province should serve as a catalyst to mobilize communities of common interest. Sixty-two percent also agree or strongly agree that the government should serve as a facilitator in response to demand. The Task Force showed the least enthusiasm for the Province adopting the role of seed funder.

The Task Force also discussed at some length whether the Province should target specific communities of common interest or attempt to reach a broader base. In the end, 65 percent favoured proactively engaging specific sectors and communities, as opposed to supporting every community that meets designated criteria (Exhibit III-4).

Exhibit III-4

### RECOMMENDED GOVERNMENT APPROACH TO COMMUNITY OF COMMON INTEREST MOBILIZATION

Percentage of Task Force responses



Source: Summary survey of Task Force views

<sup>31</sup> Joint Venture: Silicon Valley Network, *The Joint Venture Way: Lessons for Regional Rejuvenation*, 1995.

## RECOMMENDATIONS

- ◆ Consider establishing a joint public-private communities of common interest governance group to support the progress of communities.
- ◆ Consider implementing initiatives that will encourage the formation and mobilization of communities of common interest, such as organizing a symposium of leaders from successful communities to document best practices.
- ◆ Set criteria for selecting the sectors and communities that the Province will proactively support.
- ◆ Investigate the best approach for delivering export programs through communities of common interest.



## Moving forward: A new global reality

ONTARIO IS ENTERING THE THIRD MILLENNIUM as a successful exporting economy. And, if the Task Force members are at all representative, Ontario's business leaders are committed to improving their export performance.

Looking ahead, the Task Force believes that for Ontario to continue to prosper, more businesses need to compete and win globally. Moreover, the Province needs to compete aggressively with other regions to provide the best environment to attract and retain these businesses and help them grow.

Achieving the best environment in the next century requires the role of government to shift from director and funder to facilitator, and catalyst. For the government's role as environment facilitator, the Task Force recommends removing disincentives to business (high corporate and personal taxes; regulatory, bureaucratic, and trade barriers) and advocating changes to the federal government. In its role as catalyst, the government must encourage the changes in mindsets and skills necessary for economic growth in the new global environment.

The type of change Ontario is experiencing now will continue as the pace of globalization increases. To help Ontario businesses meet this challenge and become world-class, business and government leaders need to work together to set and lead the change agenda through communities of common interest. The Task Force hopes that business and government leaders will step forward and build on this report to increase Ontario's participation in the global economy. In turn, global participation will strengthen Ontario's economy and improve the quality of life of its citizens now and in the years to come.





# Appendix A:

## TASK FORCE MEMBERS





# Steering Panel

**Jon Baird**

*Managing Director,  
Camese*

**Frank Baldesarra**

*President,  
Rand A. Technologies Corp.*

**Sonja Bata**

*Director,  
Bata Limited*

**William Blundell**

*Chairman of the Board,  
Manulife Financial*

**Peter Boyd**

*President and CEO,  
Delcan International Corporation*

**Ken Buchanan**

*President,  
Buchanan Forest Products*

**Ken Carpenter**

*President,  
Burlington Technologies Inc.*

**K. Bruce Friendship**

*President,  
Bayly Communications Inc.*

**Bruce Galloway**

*Vice Chairman,  
Royal Bank Financial Group*

**Robert Greenhill**

*Vice President, Strategic Planning,  
Bombardier Inc.*

**John Howard**

*President,  
Vineland Estates Winery*

**George Jones**

*Senior Vice President Zinc,  
Noranda Metallurgy Inc.*

**Ken Laver**

*President,  
Messier-Dowty Inc.*

**Margaret MacDonald-Galt**

*President,  
Graymore Executive Services*

**Wallace McCain**

*Chairman,  
Maple Leaf Foods Inc.*

**John Mayberry**

*President and CEO,  
Dofasco*

**Jane Pagel**

*Vice President, Corporate and Government Affairs,  
Philip Services Corp.*

**Pat Palmer**

*President,  
Where Eagles Soar Inc.*

**Robert Parsons**

*President,  
JKS Boyles International Inc.*

**Stephen Quinlan**

*President,  
Seneca College of Applied Arts and Technology*

**John Rogers**

*President and CEO,  
MDS Inc.*

**John Sheridan**

*President Ontario,  
Bell Canada*

**Ronald Simmons**

*President,  
Waterloo Furniture Components*

**Alex Taylor**

*President and CEO,  
AGRA Inc.*

**Michael K. Taylor**

*Senior Vice President, Financial Institutions and Trade,  
Royal Bank Financial Group*

**Moe Vyas**

*Director Marketing,  
Raytheon Canada Limited*

**David Winfield**

*Senior Vice President, Government Relations,  
Northern Telecom Ltd.*

## Working Groups<sup>32</sup>

Heather Bennett

*Human Resources Advisor,  
Royal Bank Financial Group*

Reid Bowlby

*Vice President, Zinc Marketing,  
Noranda Metallurgy Inc.*

Kevin Brady

*President and CEO,  
The Brady Group Inc.*

Julio Chackal

*Senior Manager,  
Royal Bank Financial Group*

Tom Drucker

*General Counsel,  
Bata Limited*

Gordon Gerry

*Vice President, Government and Institutional Relations,  
AGRA Inc.*

David Goldfield

*Marketing Manager,  
Raytheon Canada Limited*

Har Grover

*Director of Corporate Strategic Development,  
MDS Inc.*

Brian Harling

*Vice President, Corporate Affairs,  
MDS Inc.*

Brian Henderson

*Vice President, Corporate Initiative,  
Delcan International Corporation*

Owen Hennessey

*Market Development Manager,  
Waterloo Furniture Components*

Wilma Jacobs

*Vice President, Corporate Communications,  
MDS Inc.*

Michael Jolliffe

*Director, Government and Institutional Relations,  
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William Neil

*Director, Government Relations – International,  
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JKS Boyles International Inc.*

Barrie Wray

*Acting Director, Seneca International,  
Seneca College of Applied Arts and Technology*

<sup>32</sup> Several Steering Panel members also participated in the Working Group sessions, although their names do not appear under this heading.

## Appendix B:

### SUMMARY SURVEY OF TASK FORCE VIEWS







## Minister's Export Marketing Task Force Survey

Please fax to Katharine Lake at McKinsey & Company (416) 969-8980 by Monday, March 9, 1998.

Please be assured that all answers are confidential and will be used by the Ministry and its agent McKinsey & Company solely for the purpose of developing the Minister's Export Marketing Task Force Report.

The origin and name of each survey will be kept confidential by McKinsey & Company

### Company revenues

☐ ≤\$25 million ☐ \$25-100 million ☐ >\$100 million ☐ Not a company

### Task Force participation

☐ Steering Panel ☐ Working Group

### Environment for excellence

Environment building Circle the number that best represents your perspective

	Very					Not at all
1. How important is it that:						
• The Province foster an environment for international excellence and the conditions for winners to emerge?	6	5	4	3	2	1
2. In building an environment for excellence, how important is it that the Province:						
• Ensure competitive corporate tax rates between Ontario and US states?	6	5	4	3	2	1
• Advocate a stable and visible domestic monetary policy and competitive exchange rates?	6	5	4	3	2	1
• Reduce the regulatory and bureaucratic barriers to conducting business efficiently?	6	5	4	3	2	1
• Advocate the reduction of tariff and non-tariff barriers to trade:						
– Between Canada and other countries?	6	5	4	3	2	1
– Between Ontario and other provinces?	6	5	4	3	2	1
• Improve the quality and cost of the communications infrastructure?	6	5	4	3	2	1
• Improve the quality and cost of transportation?	6	5	4	3	2	1
• Reduce personal income taxes?	6	5	4	3	2	1
• Advocate a more flexible immigration policy to attract skilled professionals in demand?	6	5	4	3	2	1
• Consider tax measures to encourage diversification of exports	6	5	4	3	2	1
• Other (please specify):	6	5	4	3	2	1

### Research centres of excellence

Actions Circle the number that best represents your perspective

	Very					Not at all
3. How important is it that the Province:						
• Provide more government R&D funding to targeted universities/institutes?	6	5	4	3	2	1
• Improve the quality of scientific education in primary/secondary schools?	6	5	4	3	2	1
• Improve the quality of scientific education at the post-secondary level?	6	5	4	3	2	1
• Increase the number of scientists, computer scientists and engineers graduating at the post-secondary level?	6	5	4	3	2	1
• Support science promotion programs outside the formal education system?	6	5	4	3	2	1
• Build links between industry and academic researchers?	6	5	4	3	2	1

Leadership For each question check as many options as apply

4. New research centres of excellence should be initiated by:
- ☐ The Ontario government ☐ The private sector ☐ Universities
5. Funding for research centres of excellence should be provided by:
- ☐ The Ontario government ☐ The private sector ☐ Universities

## Global mindset

**Building a mindset** Circle the number that best represents your opinion

	Strongly agree			Strongly disagree		
6. Building this global mindset should involve:						
• Highlighting the value of global participation	6	5	4	3	2	1
• Building recognition of successes and sharing best practices	6	5	4	3	2	1
• Setting export targets	6	5	4	3	2	1
• Leveraging multicultural links to support export development	6	5	4	3	2	1
• Using advertising in Ontario (television, billboards)	6	5	4	3	2	1
• Improving people's international orientation through formal education	6	5	4	3	2	1
• Focusing on being globally competitive ("world-beaters"), not just exporters	6	5	4	3	2	1
• Other (please specify):	6	5	4	3	2	1
7. The mindset should have an orientation toward:						
• The US market	6	5	4	3	2	1
• Non-US markets	6	5	4	3	2	1
• Global markets generally	6	5	4	3	2	1
8. The effort to build this global mindset should be led by:						
• Elected officials	6	5	4	3	2	1
• Government agencies	6	5	4	3	2	1
• Business associations	6	5	4	3	2	1
• Individual company executives	6	5	4	3	2	1
• Universities and colleges	6	5	4	3	2	1
• Other (please specify):	6	5	4	3	2	1

**Education** Circle the number that best represents your perspective

	Very			Not at all		
9. How important is it that people's international orientation be improved by:						
• Adding an international dimension to existing college and university business curricula?	6	5	4	3	2	1
• Offering courses on the mechanics of exporting in community colleges?	6	5	4	3	2	1
• Encouraging student and teacher exchanges to foreign countries?	6	5	4	3	2	1
• Increasing the international content of social studies in primary/secondary schools?	6	5	4	3	2	1
• Enhancing and increasing language education in primary/secondary schools?	6	5	4	3	2	1
• Sponsoring industry internships in international businesses?	6	5	4	3	2	1
• Other (please specify):	6	5	4	3	2	1

## Advocacy

**Roles** Rank from highest (1) to lowest (5) using each number only once

	Ranking (1-5)
10. The highest impact advocacy roles for the Province are to:	
• Lobby the federal government to ensure that Ontario firms get their fair share of direct Federal advocacy support and procurement contracts	_____
• Lobby the Federal government to ensure that national trade and economic policy supports the interests of Ontario firms	_____
• Provide direct advocacy by Ontario elected officials (e.g., letters, phone calls, visits) in support of exports	_____
• Lobby for international adherence to the rule of law	_____
• Provide direct advocacy in foreign markets through Provincial trade representatives	_____
• Other (please specify):	_____



## Advocacy

**Overseas representation** Rank from highest (1) to lowest (4) using each number only once

11. The best options for overseas representation are:

Ranking (1-4)

- Deploy Provincial trade representatives overseas to support Ontario exporters in making contacts in highest potential export markets and collecting data \_\_\_\_\_
- Deploy Provincial trade representatives overseas to provide basic country orientation in highest potential markets \_\_\_\_\_
- Provide funding for sector associations to hire their own consultants overseas \_\_\_\_\_
- Leverage Federal trade representatives overseas only \_\_\_\_\_
- Other (please specify): \_\_\_\_\_

## Small and Medium Enterprise (SME) programs

**Export programs** Rank from highest (1) to lowest (7) using each number only once

12. The highest priority SME export programs for the Province to provide are those that:

Ranking (1-7)

- Sponsor trade missions and trade shows \_\_\_\_\_
- Provide a single point of contact for information on Provincial and Federal export services \_\_\_\_\_
- Provide foreign market data and specific opportunity information \_\_\_\_\_
- Provide how-to-export skills (e.g., manuals, seminars) \_\_\_\_\_
- Provide export financing (loan guarantees) \_\_\_\_\_
- Assist companies in securing export financing (loan guarantees) \_\_\_\_\_
- Facilitate consortia/partnerships/networks \_\_\_\_\_
- Other (please specify): \_\_\_\_\_

**Design principles** For each question check one option only

13. If you had to choose, would you prefer SME export programs that were:

- ☐ Designed for specific sectors?
- ☐ Designed to address specific foreign country issues?
- ☐ Either of the above, depending on the situation?

14. If you had to choose, would you prefer SME export programs that were:

- ☐ Run by specialists?
- ☐ Run by generalists?
- ☐ Either of the above, depending on the situation?

**Export financing** Circle the number that best represents your opinion

15. The Ontario government should:

Strongly agree

Strongly disagree

- Let market forces determine the availability of financing \_\_\_\_\_
- Provide loan guarantees to assist emerging exporters \_\_\_\_\_
- Assist companies in securing loan guarantees \_\_\_\_\_
- Study the quality and quantity of available financing to determine if there are real constraints to growth \_\_\_\_\_
- Other (please specify): \_\_\_\_\_

	6	5	4	3	2	1
Let market forces determine the availability of financing	6	5	4	3	2	1
Provide loan guarantees to assist emerging exporters	6	5	4	3	2	1
Assist companies in securing loan guarantees	6	5	4	3	2	1
Study the quality and quantity of available financing to determine if there are real constraints to growth	6	5	4	3	2	1
Other (please specify):	6	5	4	3	2	1

## Communities

**Effectiveness** Rank from highest (1) to lowest (3) using each number only once

16. Communities of interest are most effective when they are:

Ranking (1-3)

- Sector-focused \_\_\_\_\_
- Region-focused \_\_\_\_\_
- Focused on the intersection of a sector and a region \_\_\_\_\_



## Communities

**Mobilization** Circle the number that best represents your perspective

17. In mobilizing a community, how important is:

	Very					Not at all
• Visible leadership from the private sector	6	5	4	3	2	1
• Visible leadership from the government	6	5	4	3	2	1
• Adequate funding	6	5	4	3	2	1
• Having a documented success model to follow	6	5	4	3	2	1
• Other (please specify):	6	5	4	3	2	1

**Roles** Circle the number that best represents your opinion

18. In the mobilization of communities, the Ontario government's role should be:

	Strongly agree					Strongly disagree
• Catalyst to get communities mobilized	6	5	4	3	2	1
• Provider of facilitation in response to demand	6	5	4	3	2	1
• Seed funder	6	5	4	3	2	1

**Approach** Along the spectrum below, mark the position that best represents your perspective

19. In mobilizing communities, the Ontario government should:

Support any community that meets designated criteria  Proactively engage specific sectors/communities

## Overall

**Actions** Rank from highest (1) to lowest (7) using each number only once

20. Overall, the highest impact actions for the Province are:

Ranking (1-7)

• Enhance Ontario's business climate for investment and export success	_____
• Act as a strong advocate for Ontario business in Canada and abroad	_____
• Provide targeted export support to SMEs	_____
• Strengthen Ontario's global mindset to promote global market participation	_____
• Bolster emerging sectors with research centres of excellence	_____
• Enhance enrollment in and quality of science and math education	_____
• Mobilize exporters by creating communities of common interest	_____

**Targets** Check one option only

21. If the Province were to set a target for export growth of one half a percent of world market share (approximately 70-90 percent growth in exports by 2001), would you:

- ☐ Think this target was too ambitious?
- ☐ Believe this target was achievable?
- ☐ Think this target was not aggressive enough?
- ☐ Suggest that the Province not set a target for export growth?

## Additional comments

22. Are there any points you would like to emphasize, or new ideas you would like to record?







